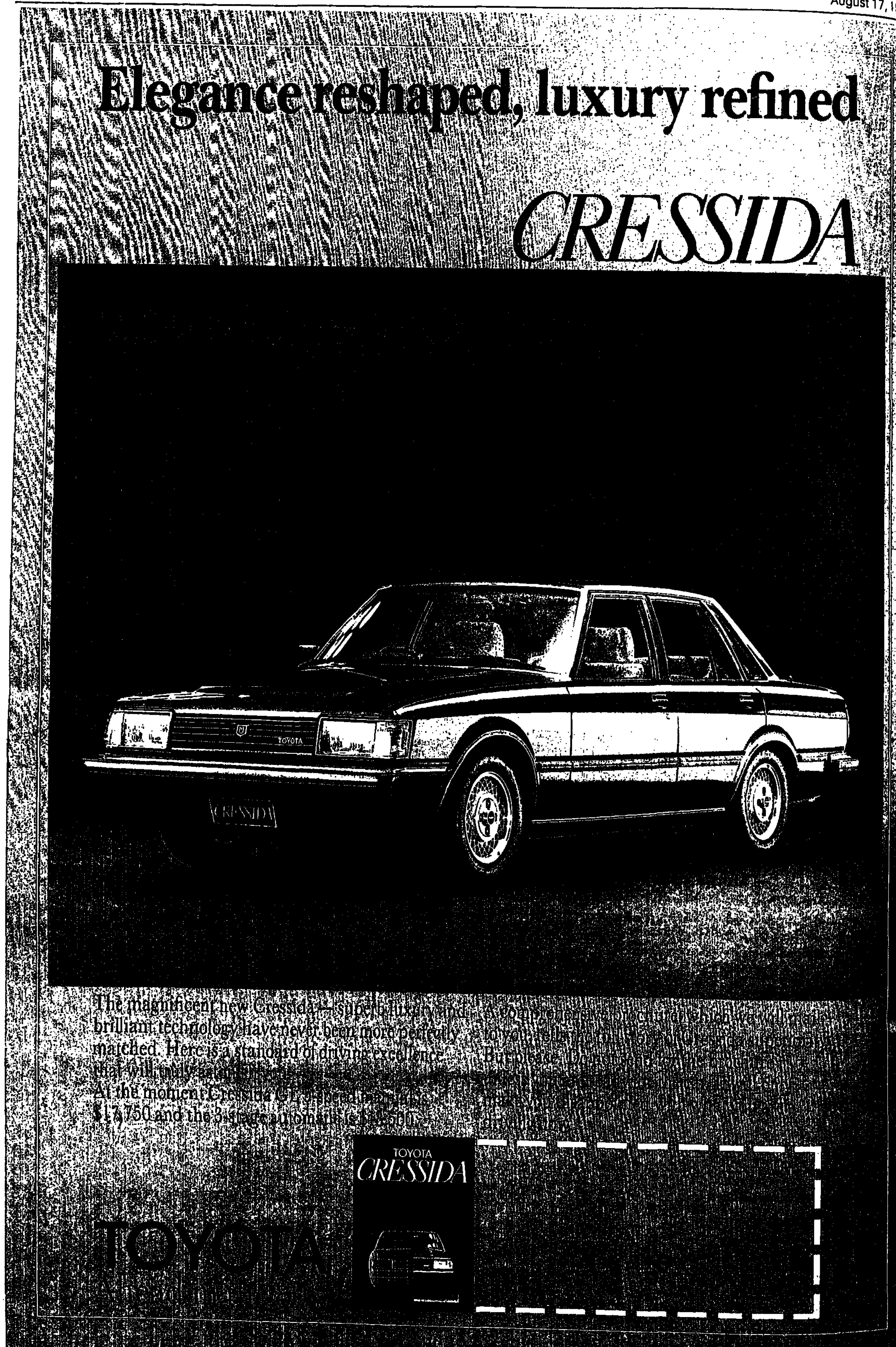

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

National Business Review

Incorporating Admark and NZ Data Processing

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Inside

Canberra set to slam door on Air NZ leaseback deal

by Gordon McLauchlan

AIR New Zealand has clinched a $257 million leaseback deal for the purchase of its three new 747s — but the Australian Government may shut the door on a similar arrangement proposed for the two 747s due for delivery next year.

Australian bureaucrats and newspapers are questioning the deal because they feel the Australian taxpayer in effect is subsidising Air New Zealand's re-equipment programme.

The Australian banks involved and Air New Zealand have negotiated what is obviously a mutually beneficial deal. The banks are getting major tax advantages and passing some of their gains on to Air New Zealand.

The system is known as "leverage leasing". A number of airlines have used similar sources in Australia for re-equipping — notably Singapore Airlines, Air Nauru and Qantas.

Because some of the tax gains are passed on to foreign airlines, officials in Canberra are already examining the implications for government revenue and thus the effect on the taxpayer.

The prestige national daily newspaper, *The Australian* has said: "The Federal Government may be forced to take action soon to restrict the use of Australia as a 'tax shelter' by the growing number of international companies seeking offshore leverage lease deals locally."

The newspaper estimates that the leverage lease business is now running at $1280 million a year in Australia.

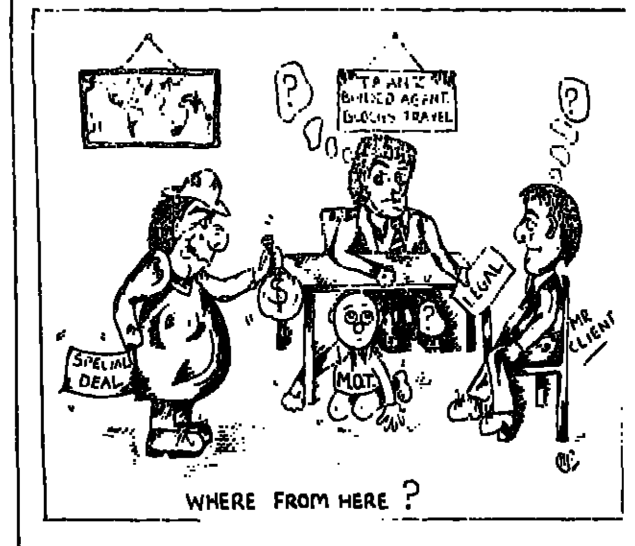
The deal involving Air New Zealand is described as one of the biggest. It was arranged by the Australian Chase-NBA Group Ltd in association with GATX Leasing of the United States. It was signed in London 10 days ago.

Australian banks are providing $66 million of the $257 million involved with the rest coming from an international consortium of bankers led by the National Westminster group.

The Australian explained the **deal: ". . . it is the lessor or equity partner who provides** the 20 to 40 per cent equity requirement and the long-term lender who provides the remainder of the purchase price in the long-term loan funds.

"The lessor then picks up the tax benefits (such as depreciation deduction, investment allowance, interest expense and management) in the country of residence (in this case Australia) and passes these on, a complicated formula, to the lessee in the form of reduced rental costs.

Continued Page 5



The situation . . . as TAANZ newsletter see it.

TAANZ hits back

by Warren Berryman

FRUSTRATED at every attempt to stop illegal airfare discounting, the Travel Agents Association of New Zealand has issued a strongly worded newsletter criticising the Ministry of Transport and the airlines.

The airlines were accused of hypocrisy and of implementing a divide-and-rule policy — playing one travel agency off against the other with cheap fares and kickbacks offered to one and denied to another agent.

"They fuel it (the discounting war) and money usually talks, especially in hard times. They could stop it overnight — but commercial gain prevents it," the newsletter said.

The Ministry of Transport was criticised as a paper tiger with neither the will nor ability to enforce its own laws.

The newsletter detailed in chronological order TAANZ's many attempts to get the ministry to act.

Over the past three years, TAANZ has made both the ministry and the Minister aware of illegal discounting and of TAANZ's concern that a system in which those who obey the law are exploited by those who do not is unfair to travel agents and consumers generally.

TAANZ made it clear it did not see itself as the policeman. That was the ministry's job.

In a last-ditch effort to force the ministry to enforce its own regulations, TAANZ took legal advice earlier this year on whether it should take out a writ of mandamus against the MOT for not enforcing the law.

It was advised — at a cost of $400 — that this could not be done, the newsletter said.

TAANZ also took legal ad-

Continued Page 5

Swoop on wineries; samples taken for analysis

by Warren Berryman

HEALTH Department inspectors have swooped on wineries in Auckland, Hawkes Bay and Hamilton in a no-warnings-campaign against adulterated wine.

One objective was to track down the whereabouts of 5050 litres of imported German Rhine Riesling flavouring and to determine if it had been used legally in flavour wines, liqueurs or aperitifs, or illegally in table wines.

Samples were taken from winery vats and from retail shelves for chemical analysis.

One winemaker which bought a quantity of the Rhine Riesling flavouring, was visited by two Health Department inspectors 10 days ago.

The inspectors took samples from vats and photos of the vats.

Health Department assistant director Jim Fraser pointed out that importation, sale and storage of Rhine Riesling flavour, and its use in flavoured *wines, alcoholic beverages (no* longer made here) and aperitifs, were legal.

Chemical analysis of wine samples taken by the inspectors will determine if flavouring has been used in table wines.

Testing is a complicated procedure. Informed sources say it may be done either on a gas chromatograph or a liquid chromatograph.

First samples of the flavouring are run through to obtain the substance's particular chromatographic conditions. The chromatograph is then set to pick up traces of the flavouring and wine samples are run through.

The DSIR is likely to do the testing. DSIR sources said the process might take two men two weeks to finish.

Winemaker sources point out that Rhine Riesling flavouring need not be added only to Riesling wines. It may also be added to "flavour up" Moselle or Hocks, and perhaps other products.

The Health Department swoop coincides with a growing concern in the wine industry about its public image.

The industry is particularly concerned — apart from the legal aspects — about the potential uses to which wine flavouring can be put.

Artificial wine flavourings can be used in several ways.

Even a wine made from pure grape juice may be weak in flavour. A splash or two of flavouring in the vat can bring the wine up to a pallatable level.

Essence suppliers and winemakers say this has been common practice for years.

On the other extreme the use of flavouring can triple the amount of wine obtainable from a given quantity of grapes.

A winemaker with considerable experience here and abroad told *NBR* how it was done: first the grapes are pressed and the juice extracted for quality wines. Then the grape skins and other rubbish left behind are mixed with water, cane sugar, and flavouring and left to ferment.

The product, an ersatz wine, is drawn off and bottled.

The winemaker could make another batch from the same grape skins by adding water, sugar and flavouring and leaving it to ferment.

The industry is concerned to ensure that this practice is eliminated in New Zealand. They want no suggestion of a return to the days of the "plonk syndrome".

Wine purists within the industry particulaly don't want some American practices creeping into New Zealand to harm the industry's image.

A winemaker with American experience told *NBR* how some popular California "fruit wines" were made from the cheapest fruits on the market — apples, pears or anything in surplus that will ferment. After fermenting it was flavoured with artificial essences to taste like wine, he said.

Parliamentary sources say that some Government MPs are beginning to question the level of protection and state support given the wine industry in the light of recent price increases and suspicion of adulteration.

But last week, Trade and Industry Minister Lance Adams-Schneider announced more supports for the wine industry: a 40 per cent tax allowance for new plant bought after April 1 1981 and a remission of sales tax on this plant.

Two giant steps back

by Lindsey Dawson

IN two giant steps the Government has boosted the price of home video cameras by almost 100 per cent. On August 10 it imposed a 50 per cent sales tax, and a 45 per cent customs duty, raising the price of a Sharp camera from a fairly affordable $1100 to around $2300, and the cost of a Sony Camera from $1475 to about $3000.

The video trade is angry about the new taxes. One retailer said it was "blatantly obvious" that the sales tax was "merely a revenue-earner."

"So much for Government trying to beat inflation," said another.

Quentin Scott of Thorn Radio Industries, which handles Sharp equipment, said the new price would mean a "change in marketing strategy and the industry would probably have to concentrate on selling just videocassette recorders, and soft pedal the "make your own movies" aspect. The company is waiting to hear whether it will have to pay customs duty on a shipment of cameras which arrived at the wharf the day the new duty came into force.

Since the announcement, people have rushed to buy equipment to beat the sales tax, which will be applied as the goods come out of the warehouse.

John Tanner, of Frank Cerulli Video, Auckland, said that it was too early to tell how much the market would be affected by the price rise. "I guess that in the end people will shrug their shoulders as usual and pay what they have to pay, stretching it out over three years instead of two," he said.

It would be difficult to keep the price of portable videocassette recorder and camera units under $5000, Tanner said.

"Once you get over the you're very much into 'the man's toy' company, rather than catering for the enthusiast switching from Super 8 video."

One effect of the price will be to end a blossoming export industry.

Australians, taking advantage of their favourable exchange rate and the fact that there was no customs duty or sales tax on cameras here, were buying them to take home — "we were actually selling them at $[illegible] below the Downtown Duty Free Shop price," said Tanner.

The new price is expected to stop that trade.

Week that was

PETROL Stocks reportedly dwindled as the Marsden point dispute continued.

EMPLOYERS and unions drew up lines for the wage round. The FOL has said a 14 per cent minimum increase would be needed to maintain real incomes. But Employers Federation assessment was a "justifiable" increase of between 5 and 7 per cent.

THE United States congress may investigate sales of surplus butter to the Dairy Board after the American Dairy industry voiced opposition.

HAMILTON West MP Mike Minogue said Government caucus members were used for "lobby fodder", taken for granted and only learned of Government decisions through the media. Reacting to changes proposed in the National Development Act announced by Prime Minister Rob Muldoon, Minogue said the plans were not discussed in the caucus.

Week that was

MONDAY: NZ Photographic Assn Conference, Hamilton, to Thursday.

NZ Geographical Soc Conference, Wellington, to Friday.

Institute of Public Administration seminar, "The Path to Reform", Wellington, to Wednesday.

Ceramco Ltd AGM, Auckland.

TUESDAY: Institute of Fire Conference, Gisborne, to Thursday.

Cable Price Downer AGM, Wellington.

Rheem NZ Ltd AGM, Auckland.

Healing Industries AGM, Auckland.

Southern Cross Hotel (Dunedin) Ltd AGM, Dunedin.

PDL Holdings AGM, Christchurch.

WEDNESDAY: Wang Computer Ltd Conference, Rotorua, to Friday.

Odlins Ltd AGM, Wellington.

John Webster Ltd AGM, Auckland.

Lion Breweries Ltd AGM, Christchurch.

THURSDAY: NZ Psychological Soc Conference, Wellington.

Taylors Dry Cleaning and Laundry Services Ltd AGM, Christchurch.

FRIDAY: Maritime Law Conference, Hamilton.

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Workforce's productivity confounds planners

by Allan Parker

PRODUCTIVITY by the energy project construction workforce is proving to be significantly better than originally thought.

As a result, timetabling of the projects may not be so difficult and the economic impact, particularly in Taranaki, less severe.

And these developments lend support to suggestions that Government predictions about the number of jobs the major projects will create during construction are over-optimistic.

The evidence has been accumulated by Petrocorp on its ammonia-urea plant site in Taranaki.

Petrocorp group general manager Jim Hogg says the plant is "giving us our first real experience of actual productivity rates.

"These seem to show that some of the more common pessimistic predictions of New Zealand workforce productivity over-estimated the number of New Zealand man hours required by a factor of two," he said.

In other words, productivity is twice what had been anticipated by the plant's planners.

(Ironically, the details have become available at a time when the plant is at the centre of an inter-union demarcation dispute that has delayed construction by at least one month — *NBR*, August 17).

Says Hogg: "Earlier estimates (of construction timetables) were . . . influenced by extremely low assumptions for the productivity of New Zealand labour.

"Obviously, if labour productivity is assumed to be low, the number of man hours required for the construction of the given plant is higher and both the construction period and the workforce required tend to increase."

Hogg told *NBR* last week that New Zealand productivity assumptions for such project work has been based on United States calculations.

New Zealand planners take the productivity rates for the Gulf Coast region in the United States and multiply it by a given factor to reflect New Zealand conditions.

Historically, New Zealand productivity has been measured as the Gulf Coast rate multiplied by a factor of 1.3. In more recent years, however, assumptions about New Zealand productivity have become more pessimistic and the factor has risen to about 2. This figure was used to estimate the man hours required for the ammonia-urea plant and other projects.

But the Petrocorp analysis from the project shows, in fact, that the productivity rates of New Zealand workers are only 1.1 to 1.2 times the Gulf Coast figure.

"It rather surprised us," Hogg said last week. "We now think people have been unduly pessimistic.

"This fresh evidence is being used to reduce the projected man hour requirements for the projects already scheduled and as a result we are coming to the conclusion that the current construction programme will be no larger in its impact on Taranaki than the previous construction programmes for the New Plymouth power station and the development of the Maui production facilities," Hogg said.

"In fact, the social impact should be considerably less because the previous major construction projects took place during a period of relatively low unemployment and high economic buoyancy, whereas the present programmes will take place following some years of relative economic depression and against a background of high unemployment.

"Most of the labour required should be obtainable locally and our studies have shown that where shortages of particular skills are projected they can be overcome by relatively short-term, intensive-training programmes."

Petrocorp is confident enough about its new figures that it now believes work on further downstream petrochemical projects can begin "rather earlier than the pessimistic assumptions in vogue up until now suggest."

Petrocorp believes that "rather than overstretching Taranaki's resources, these additional works will, in the long term, merely serve to reduce or possibly eliminate the downward population trend in that area," Hogg said.

His organisation is supplying Ministry of Works and Development planners with details of the ammonia-urea productivity figures.

Whether they can be applied to the other major projects remains to be seen at this stage but, Hogg told *NBR*, the MOWD has "so far" accepted them.

Small concession only

by Allan Parker

PRIME Minister Rob Muldoon has hinted that the Government may be prepared to make a small concession to computer-users who face a steep 40 per cent sales tax on the equipment.

But only for research and development purposes. Otherwise, it seems the tax — said by many in the electronics industry to be crippling development — will stay.

Muldoon suggested last week that the tax on microprocessor development systems, used as research and development aids, may be removed when decisions are taken by Government on the proposed Industries Development Commission study into the industry.

An earlier study into the industry by a study team from Treasury, Customs and Trade and Industry noted that the tax on office machinery including computers applied to microprocessor development systems (MDSs).

"In the team's view this sales tax is a significant impediment to the development of this industrial electronics sector in New Zealand," the study said.

The team regarded the 40 per cent tax as "a significant cost penalty" on the purchase of MDSs.

"It particularly affects smaller industrial electronics firms, which are usually undercapitalised and find raising finance a problem. The tax makes it difficult for these firms to become more internationally competitive because it puts up their costs and/or results in the purchase of cheaper, inferior systems and peripherals."

The departmental investigators saw the tax as a "serious problem" for fledgling industrial electronic firms, yet its contribution to Government revenue is minimal, at an estimated $100,000 a year."

The team, however, did not recommend blanket removal of the sales tax on computers.

And Muldoon appears to have ignored strong industry lobbying to have the tax removed.

He avoided making a public statement about his attitude towards the tax when pressed at the opening of a factory extension in Marton last week.

The company, Production Engineering Ltd, has become a world-leader in the application of electronics to petrol pumps and exports have risen from $100,000 to some $2 million in under five years.

Managing-director John Williams, in a speech welcoming Muldoon to the ceremony, asked the Government to consider "significantly reducing" the tax.

Muldoon responded: "I don't propose to answer the 40 per cent tax question."

But he said he was "thoroughly familiar" with some of the reasons why the tax was imposed and he told Williams "maybe in private I can tell you some of the reasons".

The Prime Minister thus steered clear of the industry's criticism and the reasons remain unpublicised.

First CNG outlets

by Rae Mazengarb

THE first 11 of 53 planned CNG outlets involved in Caltex Oil (NZ) Ltd's $23 million CNG retail chain will open during the next two months. The outlets — all linked to existing petrol stations — represent the first major boost in a programme announced by the company seven months ago.

Since then, the organisation has been working quietly behind the scenes, fining up the technical details, plodding through planning procedures, to get the first of the chain ready. The majority of the outlets are expected to be fully operational by the end of next year.

Five of the stations in the initial phase are in the Wellington region, the others are situated in the Auckland and Hamilton areas — key centres identified so far for the provision of additional CNG facilities.

The stations are: Mascar Motors Ltd (Upper Hutt), Vic Auto Services Ltd, Seaview Service Station Ltd (Lower Hutt), Adelaide Petrol Services Ltd (Wellington City), Leycar Autodrome Ltd (Porirua), Elliott Street Service Station (Papakura), Greenhalgh Bros (Motors) Ltd (Otahuhu), South Auckland Motors Ltd (East Tamaki), Motor Services (Papatoetoe) Ltd, Favona Motors Ltd (Mangere), and Avalon Drive Service Station (Hamilton).

Background, Page 19

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Mr L M Papps, LLM,
Chairman

A SPECIAL NBR Company Report READER SERVICE

UEB INDUSTRIES LIMITED

Chairman's address to the Annual General Meeting, Wellington, 13 August, 1981

Mr G R J Tedcastle,
Managing Director

The results for the year ended 31 March 1981 were slightly ahead of those of the previous year as you will have seen from the Annual Report. We were able to pay all the ordinary dividend from the tax-free sources and this of course has greatly increased the return to our shareholders.

The net profit was not as high as it should have been due in the main to losses shown by the tourism subsidiary. In this regard you will be pleased to have read in the report that the transport, tours and marketing sections of Trans were sold to Midland Coachlines Limited and the cash transaction was settled on 28 July 1981.

We have now entered into a contract with NZ business interests for the sale of the hotels comprised in the Inns of the Pacific chain and while the agreement is not yet unconditional, we confidently expect the transaction to be completed. The sale of our Fijian Hotel interests is also well on the way towards being consummated. This will effectively take the Company out of the tourism and hotel areas.

In retrospect the takeover of Trans was ill-timed as the tourism market fell right away soon after the takeover was completed. In the longer term the tourism industry in New Zealand should have every chance of success.

The monies released from the sale will be employed in the main-line manufacturing activities of the Company.

As you know, NZ Forest Products Limited is now a 40 per cent shareholder in the Company and I should like to emphasise the value of this very close relationship with New Zealand's major pulp and paper company. We continue to operate as a completely independent and autonomous company while at the same time having the benefit of Messrs Ross and Walker on our Board.

We were thrilled that one of our tufted carpets — a white Bremworth Berber – was chosen as New Zealand's wedding present to the Prince and Princess of Wales. This carpet was picked by the couple from several samples submitted and is to be laid at Kensington Palace.

It is pleasing to see that at long last the economy of New Zealand is on the move. Business generally continues the upward trend we noted in the Annual Report. A most important economic indicator is the number of building permits issued and for the quarter ended 30th June 1981 there was a substantial increase on the previous year. This will be a material and direct benefit to our Company's activities.

Increased sales have been shown across all the divisions and branches and we are confident this will continue for the rest of the year.

For the 3 months to June 1981 profit both before and after tax has increased to be substantially ahead of the figures for the previous year and the forecast figures.

The final dividend of 13 per cent will be paid tomorrow, 14 August, subject of course to your approval.

And now ladies and gentlemen I have pleasure in moving the adoption of the Directors' Report and Accounts for the year ended 31 March 1981.

L M Papps
Chairman of Directors
13 August 1981

FACTS IN BRIEF

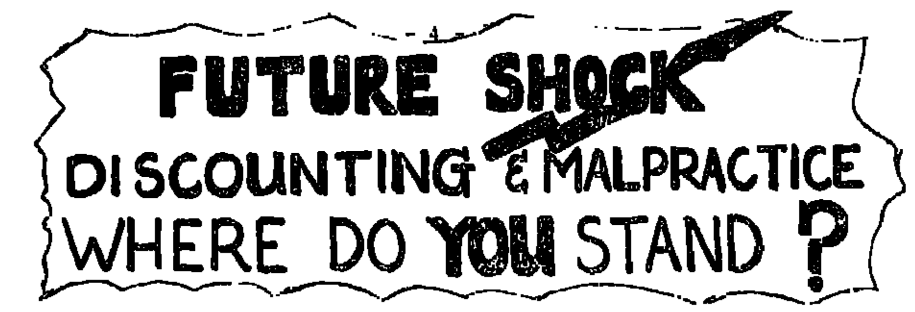
		1981	1980
Trading Results	Total sales	$226,244,314	$192,723,945
	Overseas sales	$33,361,217	$28,622,961
	Tax paid trading profit	$10,316,770	$10,059,487
Dividends	Per 50c ordinary stock unit	10.0c	10.0c
	Per 50c 12% specified preference share	6.0c	6.0c
	Per 50c 15% specified preference share — 1980 issue (9 months only)	5.625c	—
	Per $2 cumulative preference share	15.0c	15.0c
	Times covered — ordinary dividend	1.77	1.84
	Times covered — total dividends	1.60	1.73
Ratios	Net trading profit per ordinary stock unit	17.7c	18.4c
	Net asset backing per ordinary stock unit	154c	148c
	Net trading profit to:		
	Sales	4.6%	5.2%
	Total tangible assets	5.8%	5.8%
	Ordinary capital	35.3%	36.7%
	Shareholders' funds	11.4%	12.2%
	Shareholders' equity	50.8%	47.3%
	Current ratio	1.6:1	1.6:1

Travel agents vent frustration about discounts

From Page 1

vice on whether it should take its own members and the airlines to court for discounting. Again, it was advised (cost $200) that this could not be done.

The newsletter, titled, *Future Shock, discounting and malpractice, where do YOU stand?* carried a cartoon reflecting industry contempt for the MOT for its inaction. The MOT was portrayed as an ingenuous child on its knees under a table where the deals were being done in a climate of uncertainty about what was legal and what was not.



The newsletter outlined TAANZ's dealings with the MOT, starting with the passage of the International Air Tariff regulations of 1978.

The chronology included:

- 1978: TAANZ investigates discounting (the newsletter did not mention that TAANZ complained bitterly about the discounting activities of The Link and supplied evidence of discounting to the MOT during this period).
- 1979: TAANZ held several meetings with MOT to clarify the situation — is discounting legal or illegal?

The Airline Industry Steering Committee was set up as a self-regulating body, with one TAANZ member appointed to it. The committee met only twice.

- 1980: TAANZ held many more meetings with MOT. Transport Minister Colin McLachlan attended a board meeting. The TAANZ Airline Committee met with the airlines. TAANZ gave the MOT evidence of alleged illegal discounting.

The MOT issued a statement saying a detailed study had been undertaken into bonuses, grants, discounts, and other benefits being offered by international travel organisers: "Under the International Air Tariff Regulations 1978, international carriage by Air may not be provided at any fares, rates, charges or under any conditions that have not been approved by the Secretary for Transport. No reward, payment, bonus, gift, prize, rebate, commission, discount, allowance or other benefit whatsoever shall be advertised, offered, given, paid, provided or allowed in connection with international carriage unless it has been specified in or is in conformity with a tariff filed with the Secretary for Transport.

"Moreover it is illegal for any person to enter into any transaction, contract or arrangement which in any way directly or indirectly causes international carriage by air to be provided more cheaply than is specified in a tariff."

The MOT concluded this statement saying it intended to enforce these provisions strictly and would not hesitate to prosecute offenders. The maximum penalty under the regulations is a fine of $5000 for each offence.

TAANZ executive Peter Lowry called on the ministry just before Christmas 1980 to plead with it to take legal action against any agent or airline illegally discounting airfares. The MOT was given photocopies of all TAANZ evidence on malpractice and alleged illegal discounting.

- 1981: The marketplace hardened as business declined.

The Airline Steering Committee was recalled twice to consider evidence of discounting. Some cases of alleged illegal discounting were considered legal, others were sent to the MOT for action — with little or no result.

TAANZ took legal advice whether to obtain a writ of mandamus to force the MOT to enforce its regulations or to take agents and airlines to court for discounting. Both proposals were dropped in accordance with the legal advice received.

TAANZ warned members it did not condone discounting, nor would it support any member financially should he be found in breach of the regulations.

TAANZ met with top Air New Zealand management to try to find a solution .

The airlines started offering net fares to selected agents, splitting the travel industry.

TVNZ's *Eyewitness* and other media started spreading the message about discounting.

The newsletter's chronicle of concern and lack of resolution ends in August and asks: "Where to next?"

The solution favoured by TAANZ is cheaper airfares offered to all travel agents and all consumers on a fair and equal basis — not just to agents with a special arrangement with an airline or just to consumers lucky enough to live in Auckland where discounting is rife.

The newsletter claimed that discounting was an Auckland phenomenon, while the provincial travel agents were "clean".

TAANZ voiced the fear that unless the industry put its own house in order, a call to "clean up the travel industry" might become a plank in 1981 election manifestos.

Commenting on TVNZ's *Eyewitness* coverage of the discounting issue, the newsletter said: "The fact that the programme may not have worked in the overall TAANZ interests is an indictment on our industry rather than on TAANZ. The hypocrisy and division within out great industry is appalling and the day of reckoning is near at hand."

Meanwhile, Airline Industry Steering Committee chairman Albert Lovell has told *NBR* that "a number of files" dealing with unresolved fare discounting allegations have been forwarded to the ministry during the past 12 months.

McLachlan, however, has said his department has received no "formal" complaints from the steering committee about illegal fare discounting by international airlines operating into New Zealand.

After McLachlan claimed his department had received no formal complaints from the committee, *NBR* called Lovell and asked if the committee would be convened now that the controversy over illegal fare discounting was growing.

Lovell, an Air New Zealand employee, said there was no reason why the committee should be convened without firm information for consideration. Just because the media had highlighted discounting did not make an adequate reason for calling a meeting.

The situation was always under review and if any member of the committee wanted a meeting one would be convened, he said.

Lovell explained that the committee was set up to report to the Secretary for Transport, and not to the Minister.

The Minister would call for advice from his department. ". . . so we're not talking direct with McLachlan at all. If we're unable to resolve an issue (as a committee) we send it to the Secretary for Transport."

NBR: Have you ever come across one of these yet you're unable to resolve and sent it to the Secretary for Transport?
Lovell: "Yes, a number of files have been referred to them."
NBR: How long ago was that?
Lovell: "It's been an ongoing situation."
NBR: Over a course of years?
Lovell: "Well, over a course really of probably the last year."

Despite repeated attempts last week *NBR* was unable to contact Transport secretary Jack Healy and MOT policy director John Kennedy-Good. McLachlan's private secretary, after asking the Minister if he wished to reply to TAANZ's criticisms of his ministry, said the Minister did not wish to comment on airfare discounting.

The secretary said neither he nor the Minister had seen a copy of the TAANZ newsletter though he had tried and failed to obtain a copy.

Canberra to slam door

From Page 1

"In the Air New Zealand case, for example, the airline has the benefit of lower lease payments, while the equity partners pick up the tax benefits."

In this case, the equity partners include an impressive array of private enterprise banks in Australia — The ANZ Banking Group, Australian Guarantee Corporation, the Bank of New South Wales, the Commercial Bank of Australia and Esanda.

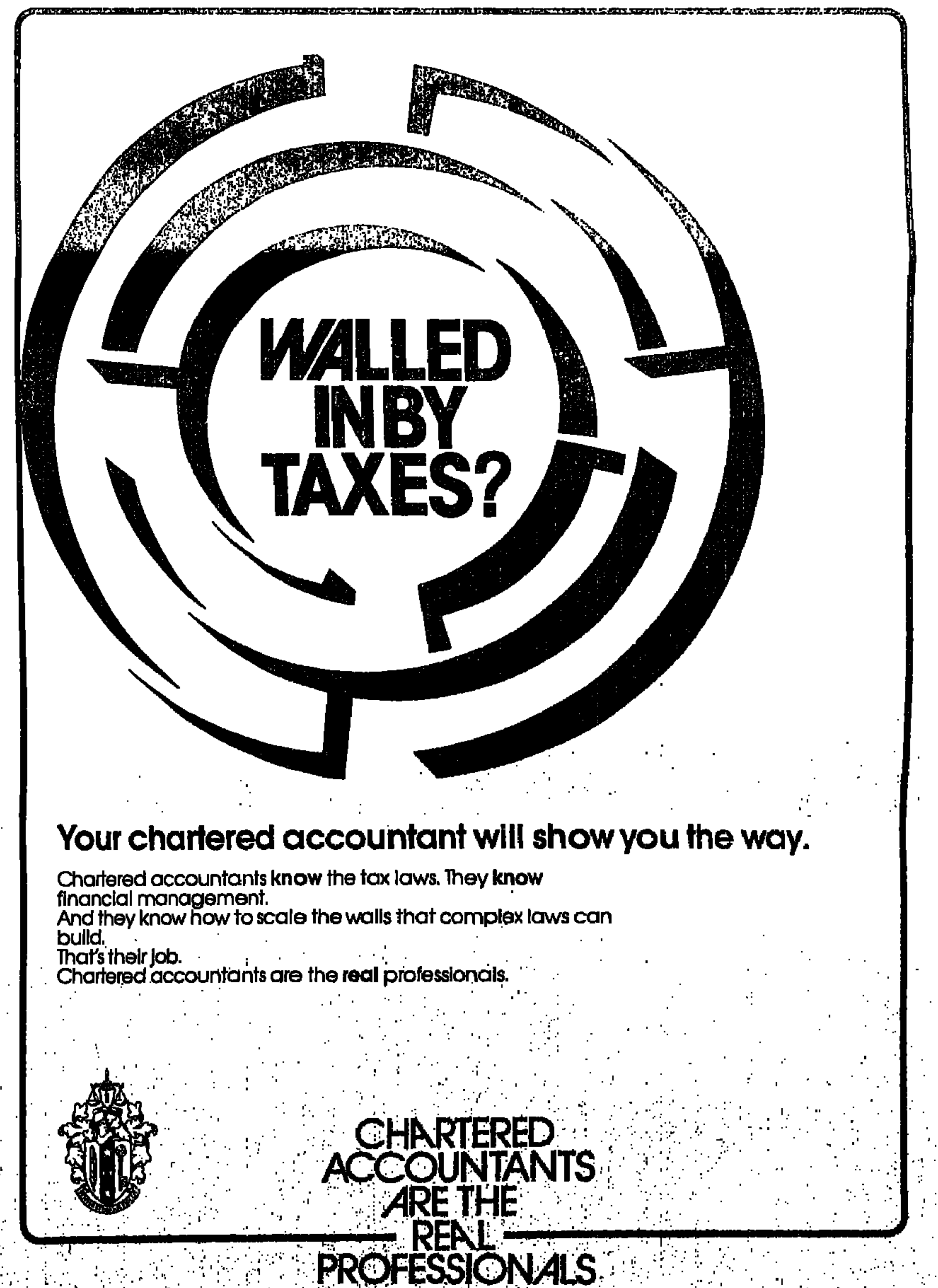
The Australian Government apparently is alarmed that a number of other foreign airlines are looking at leverage lease proposals available in Australia.

The industry is suffering a chronic shortage of cash worldwide and re-equipment costs are a major headache for those airlines wanting to position themselves for a business takeoff when the end of the travel slump comes.

Air New Zealand agreed that it was planning to finance the two 747s due for delivery in the middle of next year in the same way.

An airline spokesman said any Australian legislative change would be unlikely to upset the present deal with retrospective action.

But there seems to be some prospect of action shutting the carrier out from as satisfactory a deal next year. Canberra officials are reportedly studying the latest offshore leasing deals and will submit advice to the Government fairly soon.



Editorial

AFTER last week's railcar tragedy, Railways Minister Colin McLachlan announced that an independent board of inquiry, with all the powers of a commission of inquiry, would investigate the accident in addition to the normal departmental investigation. The police have also said they are investigating.

Press reports suggest that the railways investigators already know the cause of the accident, but details are being kept secret until the opening of the official inquiry. But past experience suggests the truth will remain under wraps for a long time. Meantime, members of the public concerned about rail safety must remain satisfied with the knowledge that this was the first fatal accident on a main-trunk line since the Tangiwai disaster in 1953.

Similarly, the public has been expected to accept official assurances that signalling equipment on the four electrified lines at Wellington is failsafe, and that there are extra safety devices to ensure that collisions do not occur. Nevertheless, a crowded commuter train ploughed into the back of another during the rush hour in the Thorndon railyards in October 1979, injuring more than 40 people; and in March 1980, there was a fatal collision within 500 metres of the first.

After the first accident, McLachlan said the public interest was best served by a departmental inquiry rather than a public one, because it would be quicker. He promised that "the public will be informed as soon as I learn the reason for the accident". The public is still waiting.

That inquiry was postponed when a train driver was charged with injuring a commuter in such circumstances that, if death had occurred, he would have been guilty of manslaughter. He was fined in May last year after pleading guilty, but defence counsel argued that it would be wrong to conclude from the guilty plea that the driver's conduct alone was responsible for the accident. He referred to a signalman's "careless mistake" which had "set in motion a bizarre sequence of events culminating in the collision". Railways officials said no departmental action would be taken against the driver.

By then, public concern had been greatly heightened by the second accident. This time, the Government announced that a public inquiry would be held to determine the cause. When the police laid a charge against an engine driver involved in the second accident (he was eventually cleared in court), the setting-up of the public inquiry was delayed pending the outcome of the court proceedings.

The terms of reference of the second inquiry were eventually announced — in March this year. The inquiry began in May — in private. An announcement was made two weeks later that the inquiry's work would not be upset by the death of the railways chief signals and communications engineer, who had been killed a few days earlier when struck by a unit in the Wellington railyards.

The inquiry finished last month, after hearing 57 witnesses. Its findings and recommendations are expected to be published soon — some 18 months after the accident.

The two accidents galvanised the National Union of Railwaymen into campaigning for better working conditions for signalmen. The Evening Post, in May last year, reported union complaints of underpaid, overworked signalmen who were virtually "pressganged" into working in the main Wellington signal box and were handling the movements of 400 trains a day. Conditions were said to be responsible for low morale and a resultant staff shortage of signalmen throughout the country.

There were more incidents to reinforce union claims that something was amiss. In June last year, a railways official admitted that within a six-week period a loaded Porirua passenger train had been diverted by signalmen into the goods yard instead of the Wellington railway station, and a Paekakariki unit carrying some 300 passengers had been wrongly diverted on to the Wairarapa line. A few weeks later carriage couplings were modified after an incident in which a diesel engine suddenly separated from its commuter-filled carriages. Frightened passengers jumped from the carriages when their engine carried on towards Wellington, fearing they would be rammed by a following train. McLachlan said later there had been "no element of danger".

In June this year, a packed commuter train was signalled down the wrong track towards the Hutt Valley, instead of Porirua. The driver stopped when he realised he was on the wrong track. Associate Railways Minister Aussie Malcolm said he knew of no signal problems at Wellington needing ministerial attention and referred to the "fail safe" system that protects us from harm.

But still we remain ignorant of the causes of the two serious accidents which were made subjects of inquiries.

Aviation accidents — and incidents — are investigated automatically by an independent team of experts who report their findings publicly (and whose privileged position means their work will not be prejudiced by the prospect of court proceedings or other inquiries). Railways investigates its own accidents, which means it sits in judgment on its own blunders unless a public inquiry is specifically called for.

The department is anxious to polish its image and is being restructured as a public corporation to improve its efficiency and effectiveness. The objective of that restructuring is being prejudiced by public concern about rail safety, and restoring public confidence is ill-served by protracted and secret investigative procedures of the sort adopted by the Government to tell us what has been going on in the Wellington railyards.

— Bob Edlin

Without word of a lie

First things first

SUBMISSIONS on the Government's Official Information Bill are due today with one case of mis-information and crossed-wires already pointed out.

The select committee's closing date for submissions was advertised as August 24 before the committee had met and elected chairman and secretary.

The ad, which purported to be signed by the secretary of the committee, was "in breach of standing orders" and "foreclosed the committee's decision on timing of submissions," Labour's Christchurch Central MP Geoff Palmer complained in a parliamentary point of order.

The good shepherd?

WHAT do you get when you cross a sheep with a lawnmower? Not a hot-crossed sheep that goes putt-putt but a rent-a-sheep business that earns fat profit while the beast fattens for free.

Probably no great threat to Devco's lamb exports to the United States yet, but an article in the *New York Times* tells the story of a retired policeman turned sheepman, by the name of Louis Valente.

Valente, according to the *Times*, placed a small ad offering to rent a sheep to anyone wanting an automatic lawnmower — and was deluged with replies.

He now rents 71 sheep in three states for $50 each. Customers pick up and return the sheep at their own expense. One Long Island customer had to pay $US250 for a truck to pick up her sheep. Bit of a Dagg, those innovative Yankee sheepmen, what?

Telling telly?

MINISTERIAL taste in TV programmes might reveal more about government than the art form itself. At the grand opening of TVNZ's new *Landmarks* series, Broadcasting Minister Warren Cooper said the popular TV comedy *Yes Minister* was his favourite "documentary".

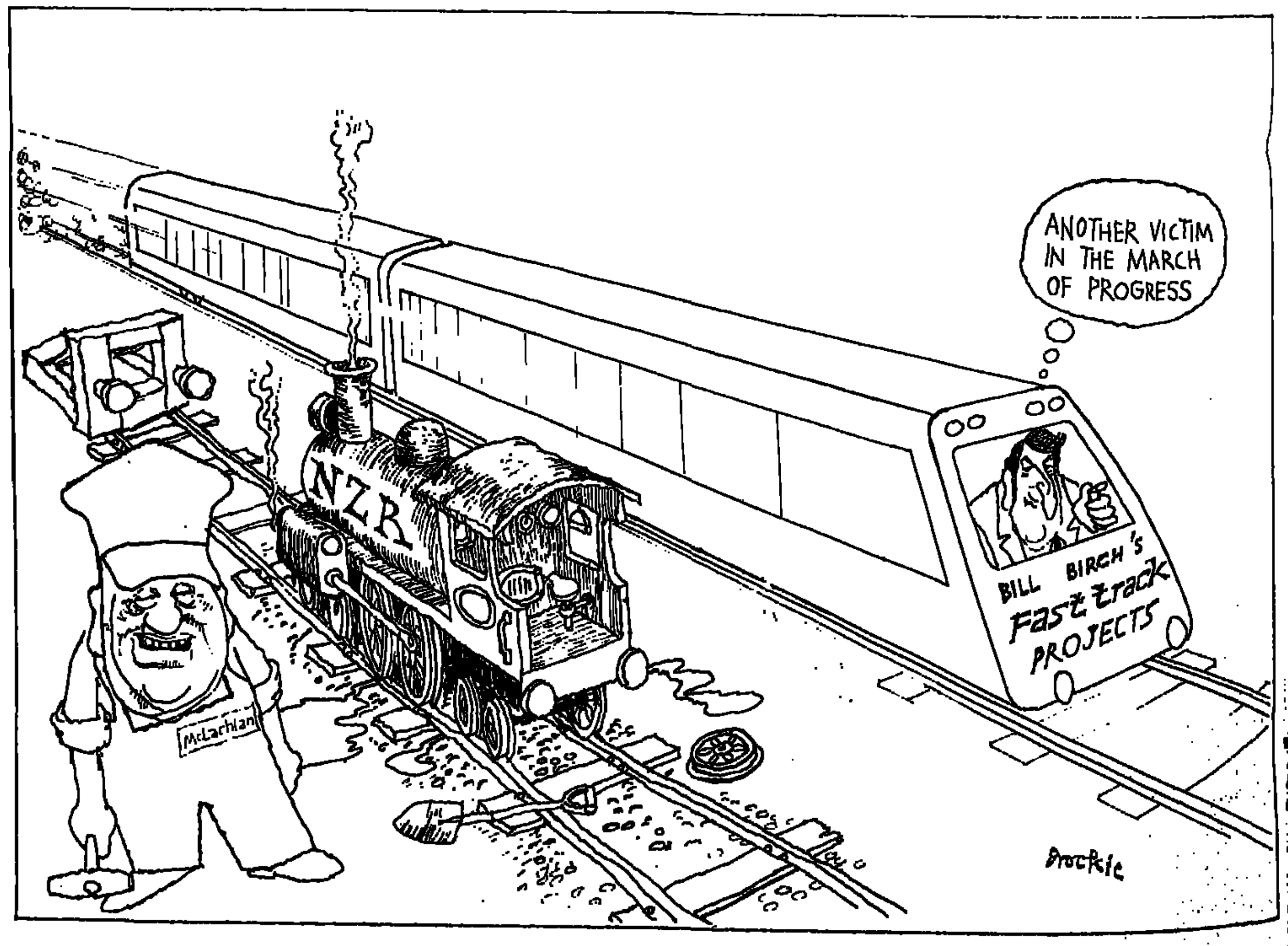
Britain's Maggie Thatcher also rates the programme tops.

In case you haven't seen it, *Yes Minister* depicts government as cynics always imagined it to be — bureaucrats pulling the strings of power and elected ministers dancing like puppets.

The implications for the concept of ministerial responsibility are fascinating and bring into question Justice Minister Jim McLay's new freedom of information act, which allows ministers to act as judge in their own case, withholding or releasing whatever information they wish.

If the real political world is like the farce depicted in *Yes Minister* — and Cooper did call it a documentary — the Minister might not be the best person to decide which information is fit for public consumption. He, poor benighted soul, might be as ignorant as the rest of us, knowing not who is the puppet and who the puppeteer.

Brockie's view



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Cheap fares now will cost us later

by Warren Berryman

PUBLICITY about the discounting of air fares has made the public aware of something previously known only to a fortunate few — that travellers need not pay the full, legally sanctioned fare for their tickets. And so business has been booming for fare discounters — at least, until the Ministry of Transport was stirred into showing signs of concern at the rampant competition that was burgeoning in the regulated market.

Depending on how the ministry reacts to the situation, a greater public clamour for discounted fares could bring to an end an era during which full fare-paying travellers have subsidised a few travellers in-the-know in the next seat, holding tickets bought up to 36 per cent more cheaply.

For starters, the traveller who buys a discounted fare will also be a taxpayer. And as a taxpayer, he should expect to be called on by the Government to bail Air New Zealand out of financial trouble.

The airline cannot operate in deficit indefinitely (its losses this year may be as high as $90 million). Further increasing the capital base from the Consolidated Fund is a likely solution.

So the traveller's contribution as a taxpayer would take care of whatever benefits might be gained through discounted travel.

And while the consumer might save a few hundred dollars on a once-in-a-lifetime world tour, he is obliged to pay a high price for domestic airfares, where Air New Zealand has a captive market.

The airline denies that the internal traveller subsidises the overseas traveller — but it gives cause for wondering when it won't make public the relevant figures. And when all is said and done, both domestic and international fares must find their way into the same revenue pool, along with the cheaper fares offered to Americans to encourage them to fly here.

Most airlines use discounted fares to fill seats that would not have been filled by passengers paying full fares. Air New Zealand seems to be hoping that discounted fares will help it to secure a bigger market share. At least, that's what travel industry sources are saying. But they also affect the airline's passenger fare mix and reduce profitability.

As more members of the public become aware of the availability of discounted fares and demand to travel at the cheapest rates, this process is likely to be accelerated.

Revenue presumably is further eroded, because the cut-rate fares which have been sold through some travel agents must cost the airline more than the regular 9 per cent commission it pays to travel agents.

In deregulated America, Air New Zealand must compete in the marketplace. Thus an American can buy a Los Angeles-Auckland-Los Angeles ticket on Air New Zealand for $US599. We New Zealanders pay $1625 for the same advance purchase ticket.

At the very least, some members of the public here are bound to question why Air New Zealand carries Americans across the Pacific at less than half the price it charges them for the same trip. After all, it does call itself "your airline". Even those New Zealanders who have access to discounted Air New Zealand fares are heavily subsiding the American traveller flying on the airline.

The simple answer should be that, in this country, the Ministry of Transport — in consultation with Air New Zealand — sets the minimum fares. And all airlines are supposed to stick to the rules in the regulated marketplace.

The question of public accountability is raised, too. The covert and complex system of dealing in discounted fares through loyal travel wholesalers can only make it that much more difficult to ensure against the possibility of malfeasance — something that has not escaped the notice of the Public Expenditure Committee which is looking into Air New Zealand. The amount of money changing hands, obviously, is considerable. The number of people involved in helping to police the transactions is few.

In the upshot, the travel industry generally could become the biggest victim of the fare discounting war.

Foreign airlines which serve and promote the market eventually will become fed up with the Ministry of Transport's policing of the rules, especially if they perceive enforcement — or lack of it — to be inequitably inclined towards protecting the state airline.

At least one major airline is known to have considered getting out of this market because of the discount situation.

The foreign airlines have a greater capacity to sell New Zealand in their home markets than Air New Zealand. If — and when — they become dispiritied or totally exasperated, this country as a tourist might slip back to "New Zealand — where's that?"

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With malice toward none

THE move towards youth wage rates can only be a beginning in the essential process of reducing the cost of overpriced labour. The logical next step must be the introduction of a Polynesian wage rate (PWR).

Apart from enormous economic benefits such a step would be socially justified because, as in the case of young people, Maoris and Islanders tend to be unskilled and tend to have lower financial requirements than the adult white labour force. A few examples will suffice to illustrate this point.

Housing: A large proportion of low-rent state housing is taken up by Polynesians and there are many cases of two and even three Maori families living together in single flats with concomitant reduction in expenditure on rent per family. Some Polynesian families live in caravans where the rent can be only a fraction of the crushing mortgage and rate burden borne by the average Pakeha house-owner.

Food: Here also, extended family and other tribal traditions serve to reduce expenditure. For example, while a white housewife has to buy seafood at $5 and more per kg, the Maori can send his grandmother to the beach to gather a nourishing meal of pipis at no cost at all.

These examples could be multiplied and in calculating an appropriate PWR one would also take into account the statistical fact that the average Polynesian spends much more time in jail (where his food and lodging are paid for by the taxpayer) than does the average Pakeha.

Therefore, apart from its economic benefits, a differential PWR would help to preserve the separate life styles of an ethnically diverse society and would also get rid of the financial injustice embodied in the present wage structure with its misplaced emphasis on equal pay for equal work. This is a case where equal is not equitable.

To gauge the economic advantages of a PWR one need only consider the freezing industry with its overwhelming contingent of Polynesian labour. A 20 to 30 per cent reduction in labour costs would increase competitiveness and profitability of our meat trade dramatically without the need for devaluation, subsidies or other two-edged monetary devices.

The greatest benefit and increase in living standards, however, would flow not from the PWR itself but from its logical extension, the Polynesian youth wage rate (PYWR).

If the YWR is fixed at 70 per cent of the adult rate and the adult PWR at 70 per cent of the ordinary adult rate, the PYWR would work out at 40 per cent of the ordinary minimum wage.

At that rate, most white families could probably afford to employ one or two Polynesian boys in some useful capacity around the house, giving them not only the dignity of labour but also keeping them off the street. Everybody would benefit.

I am offering these suggestions in gratitude for the hospitality and protection extended to me during my stay in your lovely country. Just a word of advice. Resist the temptation to call this measure the Hori and Coconut Employment Act. We stopped a lot of flak with our Bantu education until we renamed it Black education.

I suggest you call it the Equitable Remuneration Regulations and bring it in by Order-in-Council during a parliamentary recess. That way there should be no fuss, at least nothing your splendid police force could not deal with now that my friend Theuns Swanepoel has given them a few tips.

Alles van die Beste,

Erik van Geiring
Ruck Motel
Anus mundi

Without word of a lie

Strictly 'legit' — in this instance

THE travel industry — which has been watching Nathans with some trepidation since the Australian giant, Jetset, joined them in this country — drew a sharp breath last week when a Nathans Travel circular went out promising "discounts of up to 63 per cent for groups of 10 or more and up to 57 per cent for individuals" and other goodies.

These promises followed a first paragraph which said the "benefits" they could offer were "as a result of the recent media exposure on the savings available on international airfares . . ."

All very misleading really. The 63 per cent and 57 per cent are really the differences between high legal fares and low legal fares.

So the industry, fearing a re-opening of the discount wounds that have hurt the travel business recently, relaxed again.

The crunch will come later this week — on Thursday to be precise. That is the day the United consortium said it will decide whether or not to enter the discount fares market again.

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Letters

Service to the public

IT was one of those unintentional — and therefore all the more delicious — ironies that Judith Aitken's letter about my "Process of Change" articles was printed back-to-back with the discovery by Messrs McAllister and Shorland that the Public Service does not necessarily serve anyone but itself (*NBR*, Aug 3). In fact, the two academics go further than I would in their sweeping generalisation that all public servants are only self-serving.

One major point I made, that evidently was not clear enough for Ms Aitken, was that the minority of public servants dedicated to serving the public must buck the system in order to do so. If the sine qua non of public service policy was that money and status would only flow to those who demonstrate a commitment to providing goods and services to the public, then those who behave in the manner described by McAllister and Shorland would soon be out of a job.

In the article on motivation and self-interest I did not even suggest that private companies are paragons of public virtue. The point I made was that most private companies have ensured that their organisation, policies and practices are consistent with their business objective of making money.

The corollary of that point is no one should be surprised that public servants only look after themselves when the structure, policies and practices of the Government and bureaucracy provide little positive (and no negative) incentive to make public servants equate their job security or advancement with providing goods and services to their "customers", the public.

New Zealand, as elsewhere, has not firmly established its "bottom line" as output of goods and services to the public of equal or greater value than the cost of public sector inputs. Such a bottom line does not exclude such devices as export subsidies, but does put the burden of proof on Government to demonstrate that such practices are in the public interest.

Perhaps Ms Aitken and any public servants of like mind will help pierce the veil of secrecy that shrouds too much of public sector activity. I would really like to know if my higher taxes (that replace the taxes not paid to companies receiving export incentives) will help return New Zealand *as a whole* to prosperity or are my taxes simply subsidising additional profits for those who are already much better off than I am?

Ben Davis
Wellington.

Too many academics?

I AM disturbed to find that a politician, no less than Associate Minister of Finance Warren Cooper, should take it upon himself as reported in the news media, to blame academics for their negligible contributions to solving the problems of inflation, unemployment and social ills.

The prospect of communication with members of Parliament or with Government departments on matters that might help with these problems is hampered by the fact that those who proffer advice or make suggestions which run counter to the current policies are labelled as stirrers.

One has to assume thereby that Government is all-knowing and all-powerful, despite the fact that its employees owe their sumptuous existence to an all paying society. Under these circumstances I fail to see why Government should not totally accept the blame for inflation, social ills and unemployment, not to mention the overseas debt of ever mounting proportions.

Academics at least pass on information to train professionals to serve the community. I fail to see therefore why members of the party in power should claim to merit more consideration than academics when they are not only well paid, but in addition travel all over the country, not to mention overseas, irrespective of the mounting national ills.

Notwithstanding the unquestioned excellence of some politicians who merit our praise, there is a sorry overall performance of parliamentarians which may indeed be the result of absence of training or qualifications in the area in which they are required to work.

No one would allow the army, navy or air force to serve their country without comprehensive training and qualifications. I suggest that it is high time that the taxpayers demanded a similar level of competence for the even greater responsibilities of those who enter Parliament.

Members of Parliament all too often have the view that the community has been set up to serve them whereas they are paid to serve us.

F B Shorland,
OBE, PhD, DSc (Liverpool)
DSc (Wellington) etc.

Economists and railways

I READ with interest Bob Stott's article entitled "Case for Enterprise rather than railway economics" (*NBR*, July 6). Certainly the possibility of a number of economic reports being required concerning investment decisions relating to future developments in rail transport in New Zealand is good news for economists.

However this is not just because they will be kept busy producing a variety of reports for interested parties. Economists and non-economists (if there are any about today!) should be pleased that investment decisions will be subjected to sound examination before being taken and not just based on subjective opinions.

Your correspondent's preference for what he calls the "entrepreneurial approach" over the "economist's approach" is based on a belief that the economic analysis must necessarily be incorrectly carried out.

Firstly, a proper economic analysis is not just a projection of past trends but a full assessment of the situation "with" and "without" the project under evaluation. This is clearly not the same as a "before" and "after" comparison. Information from a number of sources should be taken into account including perhaps those classified as being gifted with "entrepreneurial foresight". The extrapolation of past trends will usually provide a valuable basis on which to assess projections of the future from other sources, but not prevent inclusion of new assumptions.

Secondly, an economic evaluation of a railway investment proposal should take into account the effects of the investment on the roading system. Surely in presenting a proposal to Cabinet the supporting evidence would need to include an evalution from the national viewpoint and not just from Railway's viewpoint?

In conclusion let me state a well worn cliche which seemingly needs repeating: "The answer to bad analysis is good analysis, not none at all."

M C Copeland
Contracts Manager,
NZ Institute of Economic Research Inc.

What about Socred?

YOUR *Election Watch* (August 3) dealing with the Auckland area is thought-provoking and scholarly, but appears to have overlooked some pertinent facts.

Although Auckland has long since ceased to be a collection of villages, it still retains an essentially community flavour which is not accurately reflected by electorate boundaries. It is also, at the moment, an ants' nest of shifting communities; as the urban poor are forced from their inner-city flats and homes to the outer electorates and are replaced by younger sophisticates.

Lifestyle and economic tensions are leading to the development of a "siege" mentality in Auckland, especially among the elderly, who withdraw from the local community. There is also a trend among the younger people to seek community much more among other than their immediate neighbours, many of whom they will know only by sight.

Because of this, traditional understandings of election behaviour will be relevant to a much lesser extent this year. Apathy as a response will attack all age groups and will make November's turnout at the polls the lowest for decades. Party workers will face the irony of experiencing greater motivation in the face of a torpor among the general population.

In this situation, the success of a party organisation in getting its identified voters to the polls will matter greatly. Your articles did not face this question at all. The size of the Social Credit vote in absolute terms is not an enigma (3000 to 6000 votes for most electorates), but the crucial question is that of *relative* votes which are determined by *relative* party organisations.

I was surprised, therefore, that your article on Page 36 glossed over Mt Albert so casually. A win for Labour, with a new candidate and a second-rate organisation (fewer members and supporters than Socred) is by no means certain. As for National, the thought of even second place with a ring-in candidate and *no* organisation, is amusing. Our candidate, Mike Dance, is standing for the second time, and is very well known in Mt Albert.

Ian Andrews,
Secretary,
Social Credit, Mt Albert.

Not a silly answer

BOB Jones (*NBR*, July 6) is right, it was a rather silly question, and I have decided that once I get out of hospital I am going to give up journalism and become a millionaire instead.

Ian Dougherty
Ward Ten
Wellington Public Hospital

ELECTION WATCH '81
Wellington, Pages 37-44

Politics

Two parties, four policy images: take your pick

by Colin James

LET'S get one thing clear: there will (almost certainly) not be a snap election.

Of course, because in politics nothing is ever 100 per cent certain (who knows, by the time you read this an election may have been called), I should add some sort of qualifying phrase to cover unforeseen possibilities.

But short of that, or something snapping in someone's head, there will not be a snap election.

So that growing band of journalists and candidates who would be delighted to get the thing over and done with, remain disappointed.

The most ingenious scenario advanced to me is to bring the election forward to October.

That would be just close enough, so the theory runs, to cop some of the fallout from the Springbok tour while providing an excuse for the Queen to duck the embarrassment of coming to visit an out-of-favour member of the Commonwealth.

But even that scenario, apart from the fact that it was dreamt up by a Labour MP in one of his more paranoid moments, is short on logic.

Most people I have talked to with experience in electoral sniffing believe the Springbok issue and the related law and order issue will fade rapidly once the cheerful little chappies (who, in losing, have hit on the secret of charming New Zealanders) go home.

If there was to have been a snap election on tour law and order it had to be while they were still here, visible victims of the lawless mobs.

The earliest a confrontation serious enough to confront the Government with its election threat could occur, would be this Saturday in Wellington.

An election called in the wake of that would take place a fortnight or so at least after the Springboks had gone.

But even in Wellington and Auckland it is now doubtful there will be clashes as strong in their impact as at Hamilton.

The police have improved their techniques of containment to present a much more formidable hurdle for protesters than at Hamilton. They are also more willing to take the initiative against protesters.

Anti-tour leaders have also changed tactics in recognition of the possibility that pushing their luck too far could help reinstal a Government committed to a policy they are trying to change and keep out a party with whose policy they agree.

The numbers are still high, the pressure is still on, laws are still being technically broken and actually broken, but pitched battle has been avoided. In Christchurch the action seemed to be a model of brinkmanship.

But even if, through heightened protest activity or a failure of police will or nerve, matters got beyond control as they did at Hamilton, the lesson from the polls of late July and early August after the Hamilton affair (see pages 38-39) is that the "benefit" would not go exclusively to the Government.

The issue is too confused for any party deliberately to risk its electoral neck on it.

And the strong word at various levels of the National Party is that a snap election on the tour is not on. Whatever has been said in public, this is the word that has been passed down from on high.

So snap election talk comes down essentially to throwing a rock into the pond to break the reflection, disorient people and maybe create a wave to ride to shore.

When the first rock doesn't do the trick, the next logical thing to do is throw in a second rock; on the principle that enough monkeys on enough typewriters will, given enough time, write the works of Shakespeare, enough rocks thrown in the pond may give the desired rideable wave.

The second rock was the threat of a snap election on the Marsden Point refinery workers dispute.

The last successful snap election on an industrial dispute was held after the Government had humiliated the unions in a five-month battle of attrition in which the tension was heightened gradually by a Government with a keen sense of dramatics in an electorate with a cold-war fear of Communism and in the middle of a boom.

The last time a snap election was tried in the middle of an unresolved dispute in a country similar to ours was in 1974 when the Heath Government went to the country amid blackouts and three-day working weeks caused by shortages of coal for electricity stations as a result of miners' actions. Heath lost.

The Government has not got time to build a 1951 situation before the election would have to be held in November.

Even under the provocation of the Industrial Law Reform Bill, the trade union movement would have ensured the dispute was localised at Marsden Point, which, even were there to be widespread shortages of petrol, would not have the breadth of scale of the 1951 waterfront dispute.

The dispute appeared to have been settled at the time of writing.

But even if it had not been, it could have been sorted out smartly in the first few days of an election campaign, leaving the election to be fought on other economic issues.

A snap election on Marsden Point would thus have raised uncertainties its caller could not afford.

So why throw that rock into the pond?

Is there not a risk of beginning to appear faintly ridiculous by threatening elections which do not materialise; in other words, a risk that throwing rocks of that size into the pond will splash the thrower?

There is probably no harm in it. It is, after all, the season for making big noises about unions to reassure electors.

This time three years ago the Government was backing down before the Southland freezing workers. Having brought them to court for defying the then industrial law, the Government ignominiously did not press the cases.

The Government was made to look ridiculous, vacillating and weak. Its credibility with its own supporters, particularly among farmers, was severely damaged.

Having regained a lot of that credibility with its victory in the Mangere pickets dispute in February, and having benefited from a relatively quiet industrial scene since, the Government is pressing home the advantage with some big-stick-waving.

An election threat is part of it. So is the Industrial Law Reform Bill.

Whereas in September, 1978, the Government was failing to enforce penalities it had already put on the statute book, this time round it is putting new penalities on the statute book — looking tough without having to be tough.

Elections are about images.

The Labour Party is doing the same sort of thing. But, being the Labour Party, it has to go one better.

It is trying to appear generous by making extravagant promises. The list has already grown to a formidable length.

And it is trying to appear responsible by saying not very much of its promises can or would be carried out in the first three-year term.

On the one hand, it criticises the Government for being too profligate. A recent example: taxpayer subsidies to farmers through supplementary minimum prices higher than market prices.

On the other hand, by promising jobs to the young, it implicitly criticises the Government for not spending enough to eliminate youth unemployment.

I understand there is a plan to sort out shortly after the election the resultant conflicting expectations voters would have of a Labour Government.

It involves auditing the accounts, announcing that the cupboard is barer than it thought and very publicly postponing implementation of the promises.

That duality risks losing voters *fearing* big spending before the election — is not the electorate leaner and readier for the austere truth now than for a very long time and has not the Labour Party itself been telling us this in its warnings about soft options? — while losing after the election those voters who *wanted* the spending.

Labour seems to be putting together a cast-iron formula for another three-year-only Government.

And National? Sooner or later threats have to be made good or withdrawn.

Will it, as the Industrial Law Reform Bill is promising its doubting Thomases, send a dispute in an essential industry to the Arbitration Court and then book strikers who won't obey the court's return-to-work order and then jail them if they won't pay fines?

We'll see. But if it does, who will operate that essential industry while the workers are in jail or are on strike in sympathy with the jailed leaders?

In industrial relations a threat is effective only if when the bluff is called the threat is made good.

But what is all this about threats? Is not the Government claiming its main election message is the growth strategy, everyone working together for a rosy future?

On the one hand the rhetoric of co-operation, on the other the promise of the mailed fist against irritating minorities. Labour, it seems, has no monopoly on duality.

ELECTION WATCH '81
Wellington, Pages 37-44

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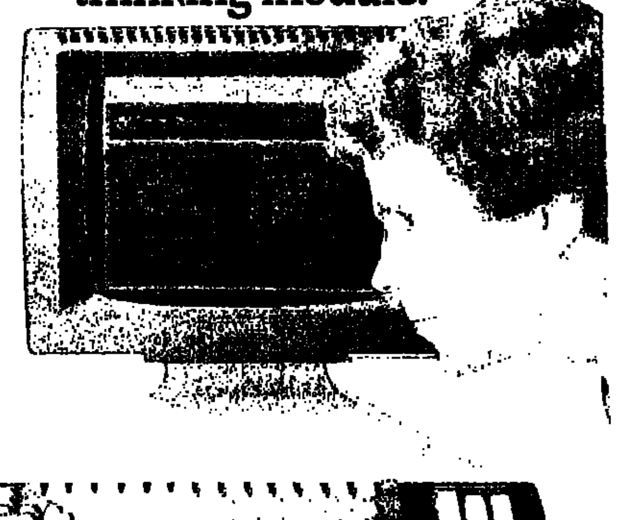

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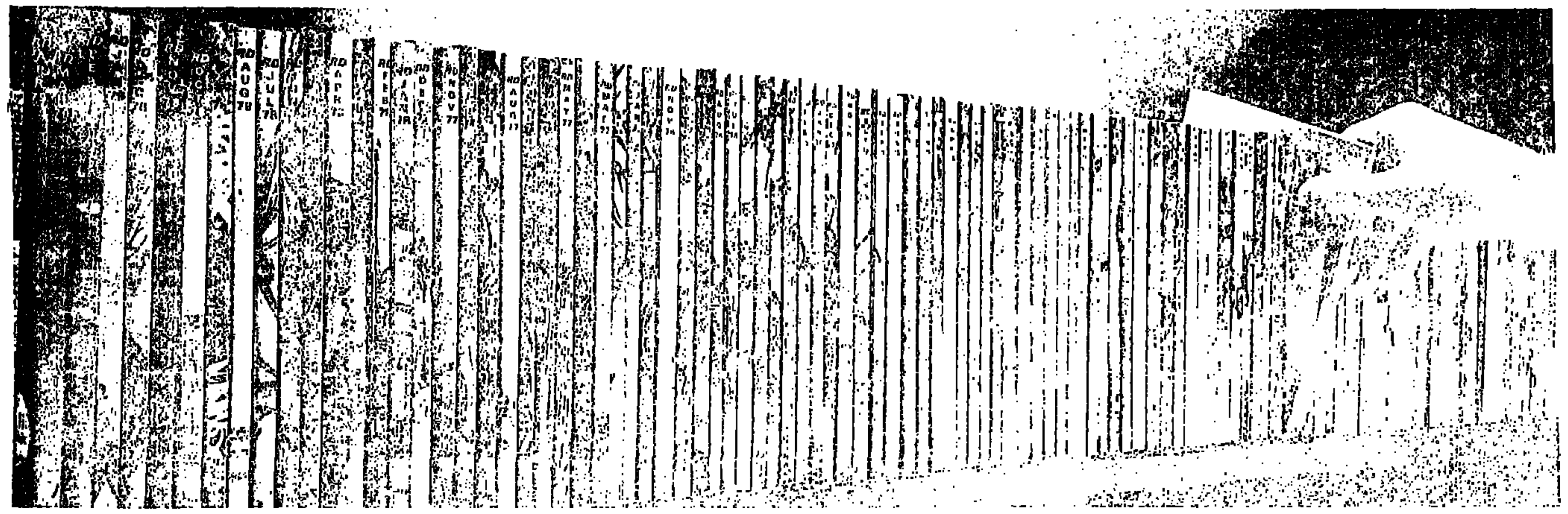

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Reader's Digest

*McNair Anderson — 1980

Economics

Cheers . . . Rob plans election campaign fought on 'positive' economic basis

by Bob Edlin

CHEERING news from the Prime Minister — he told the Canterbury Chamber of Commerce he would fight the November general election campaign "on the most positive basis that any election campaign has been fought in this country in my time."

That means — or ought to mean — that the respective economic strategies of the political combatants won't become buried beneath more emotive issues such as "law and order".

Not that law and order isn't a proper matter for political debate. But the Government's economic strategy will have an impact for the next two decades, involving — as Rob Muldoon explained — a major decline in our dependence on traditional exports and a switch to the growth strategy, linked to the big energy projects, as major earners of overseas funds.

Muldoon's assurance that the election would be fought on a "positive" basis was made the day after poll results indicated that matters economic were most concerning the electorate.

The latest *New Zealand Herald*-National Research Bureau poll showed that the economy generally ranked second — after unemployment — as the No 1 problem in voters' minds. Inflation ranked third.

It was appropriate, too, that Muldoon should declare his intention to fight the election on the growth strategy to a Chamber of Commerce audience. Just a week earlier, the chambers had produced their annual state of business survey.

The results, in a nutshell, showed that while most businesses in 1980 had improved on their 1979 profitability, inflation had taken a much higher toll, turning historically reported profits into real losses and forcing companies to increase their borrowings to finance the inflationary demands of net working capital.

Investment in fixed assets in 1980 was some 42 per cent down on that for 1979, in historic cost terms.

The survey also showed that private companies and, in particular, the wholesale/retail group, had fared worse than others.

In 1980, the firms included in the survey appeared to have increased sales volume by about 3.7 per cent, a reduction on that recorded for 1979 and the lowest rate of growth achieved by the panel of participating firms since the inception of the surveys except for 1978, according to the survey report.

This had coincided with a fall in business confidence and sharply lower investment in fixed assets.

The business audience which listened to Muldoon was given no indication there would be any immediate improvement of their lot. Muldoon was looking to the long term.

In the short term, he said, the current account balance would deteriorate and the deficit increase as funds were borrowed to pay for the projects. By the end of the 1980s the current account should be in surplus and the foreign debt on the way down.

Muldoon acknowledged also that "a good deal of capital" would have to be raised internally to finance the energy-based industries (which seems bound to have an inflationary impact).

But he made little mention of other aspects of the Government's economic performance — such as inflation — in detail, "because they . . . will not influence to any great degree" the growth strategy.

Yet the immediate effects of inflation had loomed ominously large in the results of the Chambers of Commerce survey.

The principal findings of the 1981 survey, in summary, were:

- There has been some increase in the volume of business in 1980 — but inflation has accounted for the biggest slice of additional sales revenue;
- Profits are higher — but inflation has forced many companies to borrow at high rates of interest merely to finance increases in the values of stocks and debtors;
- The system of taxing company profits, calculated on the historic cost basis of accounting, is leading to "absurdly high effective rates of tax on company profits", after adjusting for the estimated inflationary increase in stocks during the year;
- Several companies drew attention to the effect of sales taxes, which mainly seems to have been to curb consumer demand;
- The manufacturing sector has held its own this year, in marked contrast to the wholesale/retail sector.

The report noted that "there is no sign of any solution to the basic cause of the problem, namely the effect of inflation on business profitability, financing and taxation liabilities".

The Chambers of Commerce is particularly concerned that inflation is taking more and more of total sales volume. It's all very well having a big sales turnover. But if there's nothing left at the end of it, business people tend to wonder: what's the point?

In 1980, inflation accounted for the highest percentage of the value of sales growth in the history of the surveys. The effect was most marked in the wholesale/retail group, but also in the non-exporting manufacturing and other service groups.

Of 200 companies surveyed, 188 gave estimates of the increase in sales values attributable in 1980 to volume (including acquisition of similar firms); new products (including acquisition of dissimilar firms); and inflation.

The rate of increase in the volume of sales over 1979 was lower (at 3.7 per cent) than that for the previous year.

Inflation took a much higher overall percentage (18.9 per cent) compared with 1979 (10.9 per cent), an effect most apparent in the wholesale/retail group, which suffers from increased costs of stockholding more than other groups.

Sales among the surveyed companies increased from $4287 million in 1979 to $5255 million in 1980. Inflation accounted for $808 million of this increase, volume for $135 million and new products for $25 million, according to the report.

The survey also highlighted a striking difference between the relative situation of the "manufacturing" and the "wholesale/retail" groups.

Taxation incentives and the steady devaluation of the dollar "have meant that those companies within the 'manufacturing' group engaged in export are faring relatively better," vice-president Alan Simms said.

"Other manufacturers and the wholesale/retail sector are restricted to the domestic market. They face a static population, intense competition, declining real profitability, increasing wage costs and inadequate productivity."

Last week, the *New Zealand Herald* estimated that for every $8 earned in overseas exchange in the past financial year, taxpayers had contributed $1 through incentives to manufacturing and primary exporters.

The *Herald's* calculations suggested that handouts from the taxpayer to exporters in the year ended March 31 totalled about $720 million — about 12.3 per cent of total export receipts for primary and manufacturing in that period of $5866.5 million.

It was also more than one-third of the Government's internal deficit of just over $2000 million.

The *Herald* acknowledged there was no reliable estimate — but its sources suggest that this year's payout might be as high as $1000 million. Thanks, of course, to inflation.

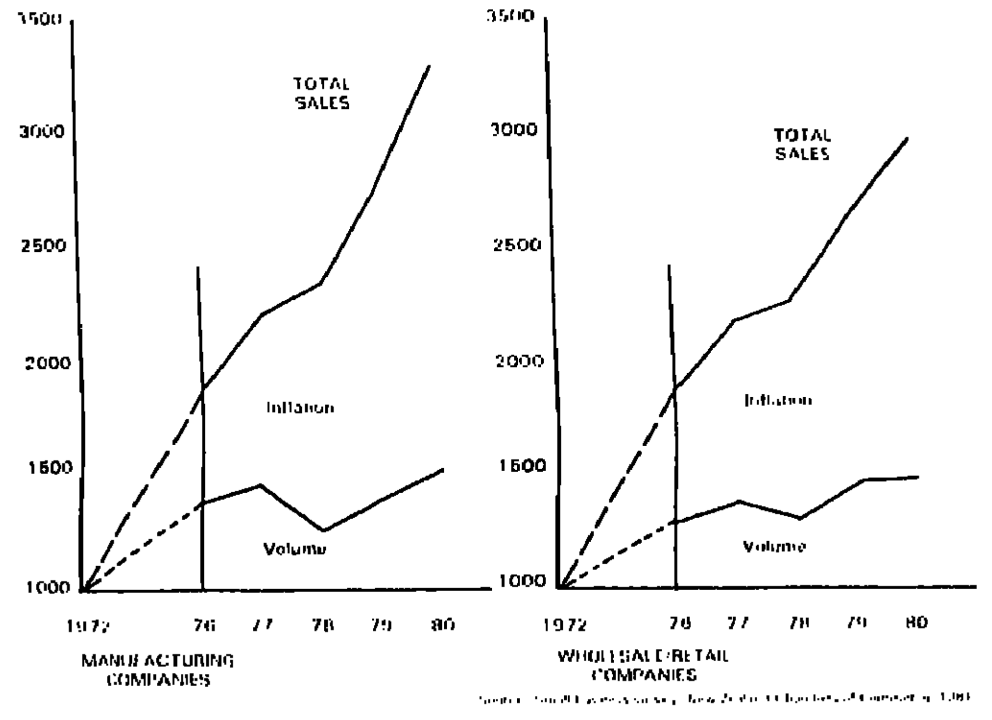
But Muldoon has become a visionary, it seems, and such statistics are irrelevant to an objective two decades hence.

He concluded that it was clear to him we could not afford to have a change of government this year, "with the adverse attitude that the Labour Government . . . has toward this vital growth strategy which is so important to New Zealand."

And businessmen who see the growth strategy as the path to the Holy Grail and should be willing to tolerate short-term privations in the 20-year quest to secure it, will agree.

Those more concerned about the immediate state of their business operations, however, are apt to look hard at the alternatives if the election campaign indeed is run on lines whereby the merits of all party programmes can be appropriately promoted and their flaws adequately examined.

ESTIMATED PROPORTIONS OF INCREASES IN SALES VALUES ATTRIBUTED TO VOLUME AND TO INFLATION 1972 -- 1980



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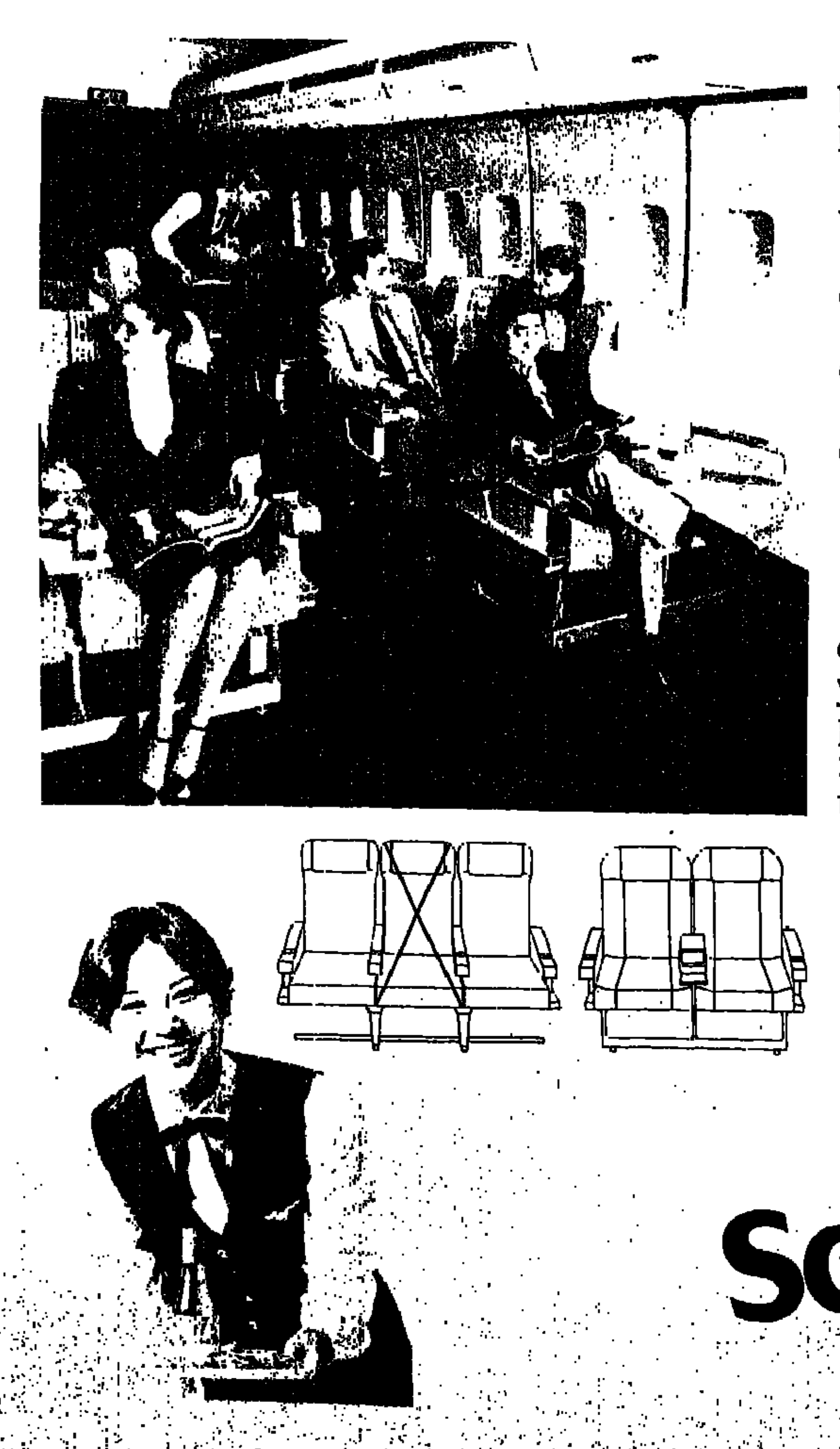

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The business week

Allied Farmers Ltd has called an extraordinary general meeting to approve making its share premium reserve available for tax free dividends.

Atlas Majestic Industries: Bidwill Wakeman Pain and Co's order for ordinary and specified preference shares in Atlas Majestic has been virtually completed, and they have withdrawn from the market.

Baillie Farmers Motor Ltd: Unaudited net profit for year ended June 30, $301,[illegible] (last year $252,137), with additional capital profits of $23,[illegible] from sales of fixed assets. A final dividend of 5 cents per share making a total for the year of 16 per cent (last year [illegible] per cent) which is tax free and will be paid October 5, the date of the AGM.

Cue Energy Resources NL Liability: the public issue of 18,000,000 50 cent shares closed, fully subscribed.

Donaghy's Industries Ltd: The AGM approved the proposal to split shares into 50 cent units and the issue of 2,500,000 15 per cent specified preference shares.

Fibremakers New Zealand Ltd's Auckland synthetic yarn plant will close in March 1982. The company said the closure would be in two stages. Yarn extrusion operations would cease at the end of the year, and warping in March.

Hawkes Bay Farmers Co-operative Association Ltd has purchased the 30 per cent shareholding in Cooks New Zealand Wines Ltd previously held by CBA Finance Ltd. The transaction is subject to approval of the Examiner of Commercial Practices.

Hawkins Holdings Ltd: Shareholders have approved a one-for-four cash issue of ordinary shares, at a premium of 35 cents.

Finance

Henry Berry Ltd will make a one-for-four cash issue at a premium of $1. It will be made at the earliest possible date.

Independent Broadcasting Ltd: Pre-tax profit for the half year ended July 31, $52,427 (last year $62,096). An unchanged interim dividend of 8 per cent will be paid October 20.

E Lichtenstein and Co Ltd: Audited after tax profit for year ended June 30, $1,329,584 (last year $900,768). A final dividend of 6 cents per share (last year 4.5 cps) will be paid on October 27. Directors also recommend a one-for-five bonus issue with new shares participating in the next interim dividend. The AGM will be held on October 27.

Motor Traders Ltd: Formal offer by **H W Smith** for capital not already held will be forwarded to shareholders around August 26.

Tolley Holdings Ltd: 440,000 shares were issued on August 7 making the total issued capital of the company $6,738,959.

Wattie Industries Ltd: Directors say that based on present indications the group profit will show a 20 per cent increase for the July 31 year. A one-for-eight bonus issue is recommended, the shares from which will participate in the final dividend of 12 per cent which will make a total of 23.5 per cent for the year (last year 19 per cent), to be paid December 9.

Economic indicators

JUSTICE Department figures for July (July 1980 in parentheses) show a total of 641 new companies, including seven overseas companies were registered (569 and 2). Receivers were appointed to 16 companies while 13 ceased to act (23 and 16). A total of 41 companies were the subject of court wind up orders while 33 went into voluntary liquidation.

Some 334 companies, including 3 overseas companies, were dissolved by liquidation or being struck off the register (379 and 2). The nominal share capital of 210 companies was increased (180) and for one company, decreased (2).

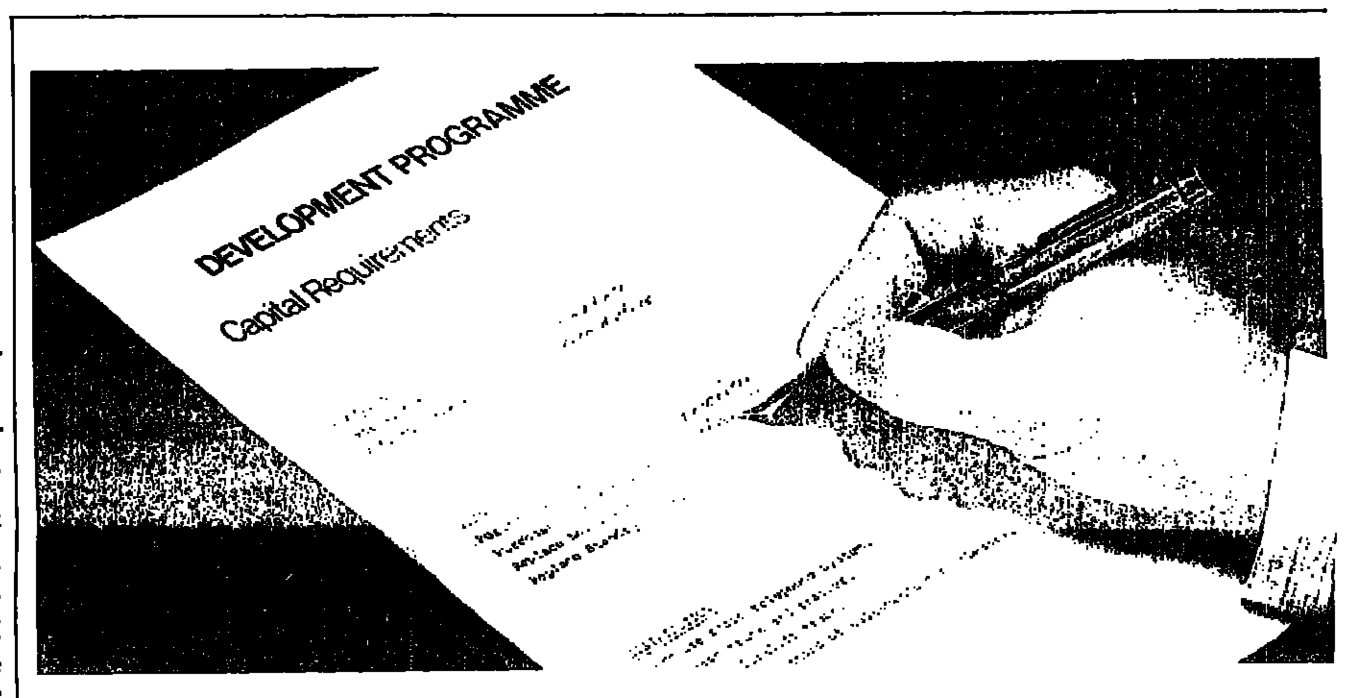
There were 116,206 companies on the register including 694 overseas companies (113,461 and 666).

EXPORTS of sawn timber for the year ending June have set new records despite a surplus of timber on world markets. By volume exports for the June year were 626,314 cubic metres, a rise of 11 per cent.

Exchange rates

AS at August 20, NZ dollar sells at:

Britain	.4457
US	.8246
Canada	.9987
Australia	.7183
Fiji	.7298
Austria	14.21
Belgium	32.93
China	1.4413
Denmark	6.4226
France	4.8560
Greece	49.35
Hong Kong	4.8871
India	7.2828
Ireland	.5537
Italy	1012.67
Japan	188.53
Malaysia	1.9258
Netherlands	2.2576
New Caledonia and Tahiti	90.85
Norway	4.9973
Pakistan	7.9691
Portugal	53.88
Singapore	1.7874
South Africa	.7666
Spain	81.13
Sweden	4.3299
Switzerland	1.7695
West Germany	2.0336
Western Samoa	.8853



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Sharemarket

UEB cuts Trans-ient losses; DB lacks old sparkle

by Klaus Sorensen

DON'T underestimate UEB Industries Ltd.

The Auckland manufacturer is on the diversification trail again following its lucky escape from the Trans Holdings accident, and this time the UEB directors are determined to get it right.

They are understood to be looking to diversify into another manufacturing industry.

UEB has tended to be the forgotten stock in the industrial sector. But perhaps unfairly, there are a lot worse performers around and UEB has tried to implement a progressive dividend policy.

But in investors' eyes the carpet industry — which was so popular in the early 1970s — has lost its glamour, and nobody gets excited about cardboard boxes these days.

The Trans Holdings takeover has left UEB with a few flesh wounds, but the final compensation payments are likely to leave shareholders (and the directors who made the original decision) feeling quite lucky.

The UEB people admit the Trans Holdings decision was a mistake, in retrospect, and publicly the company has gone about as far as possible in admitting (in the annual report and again at the annual meeting) the 1979 takeover of the tourism group was a boo-boo.

But there is a limit to how much flagellation the company has o subject itself to because it made a mistake, and now UEB is "getting on with the job".

Shareholders were able to conclude from the annual report that the Trans Holdings downturn in the last financial year put a big dent in what would otherwise have been a good result. As it was the bottom line profit was only slightly up, from $10 million to $10.3 million.

A major increase in export incentives reversed the tax provision from a $1.6 million charge against profit in 1980, to a $1.8 million credit.

This went a long way towards overcoming the drop in pre-tax net profit from $11.3 million to $8 million — due, almost certainly, to the Trans Holdings difficulties.

Guesstimates of the Trans loss have varied from $1 million to $2 million, and it seems a loss of $1.6 million is close to the truth.

The result was further hampered by a fall in extraordinary items, due mainly to a $934,763 "loss on forward exchange contract".

This item has been exercising the minds of most analysts, and *NBR* understands the loss was caused by UEB's "decision" to scrap its lightweight paper mill plans — in favour of a similar mill to be constructed by 40 per cent shareholder NZ Forest Products Ltd. The company had entered into a financing deal for the mill which it had to cancel — and as a result took a bath.

For these reasons the 1982 UEB result and accounts will be particularly interesting. Trans has been almost completely sold — the sale of the hotel has still to be concluded — with the tours and coachline operation going to Midland in Christchurch.

Trans Holdings itself was an interesting animal and quite unlike any of the other operators in the industry because of its mixture of tours, coachlines and hotels.

And that was the company's downfall. UEB spent 18 months looking at diversification and the tourist industry and then made six months intensive study in preparation for launching its successful bid for Trans.

Trans had been doing well, but this was due to one important factor — a very high gearing.

UEB was under no illusions about Trans and its reputation as a bit of a "screamer" in terms of its gearing, but as luck would have it the tourist trade and inbound arrivals went into a downturn soon after the last Trans shareholder sent his acceptance to UEB.

If the market had continued to rise Trans would have continued to profit, but the downturn upset the delicate balance between a profit and a loss.

It is now accepted that Trans overstepped itself when it bought up the hotel chain. The high servicing costs affected profitability and emphasised the need for Trans to keep up its momentum. But the downturn hit hard and Trans' high gearing meant UEB lost money.

Had the downturn not come, or had it not been so severe, UEB would probably still have retained the tours and coachline divisions, though it would have sold the hotels in any case because "UEB just isn't in the bricks and mortar business", according to a UEB source.

But that was not the case. UEB believed the downturn would be sustained and decided that it was not prepared to wait for a recovery, so Trans had to be sold.

But that should not imply that Midland has bought a pup. Without the hotels, the tours and coachlines operation should earn well enough, and in addition the purchase has given Midland the Australian marketing operation it needed so badly — after all, 50 per cent of our inbound tourists are Aussies.

But combined, the three divisions were totally dependent on each other, which meant Trans tour parties had to stay in Trans hotels, which in turn meant other tour operators were reluctant to put their tours through Trans' hotels. And with high servicing costs on the hotels, Trans was in a right bind — as the UEB source put it; Trans trading was either very good, or very bad.

But the end result for UEB is unlikely to be very good — or very bad. The company paid a relatively cheap $9.5 million for Trans, and it seems almost certain the final realisation will be above this.

But the whole question of hotel industry investment seems to find people at loggerheads. UEB and Fletchers — who sold out their majority interest in Vacation Hotels — have both given up hotels as a bad job. But companies like Alex Harvey are showing keen interest in hotels and tourism, as are overseas investors.

Even the breweries seem to have different attitudes to hotels. Lion has a big chain but has stated it does not intend to buy or build any more, and that company is concentrating its energies on the growth potential in its Cobb and Co food chain.

Dominion Breweries Ltd, on the other hand, seems very proud of its chain and obviously views hotels as part of the business and a long-term investment — the fact that they may not be doing too well at the moment does not appear to concern DB greatly.

But then DB seems to have a number of attitudes which don't please the more demanding analysts and investors — a number of whom left the DB annual meeting in Wellington feeling as if they had been to a religious or lodge meeting.

Many find it extraordinary that the 85-year-old Sir Henry Kelliher has reassumed the managing director's seat after the previous MD-designate resigned.

And some find Sir Henry's attitudes towards shareholders, the company and the industry hard to take.

But not so the 400 or so DB shareholders who packed into the annual meeting. As far as they are concerned Sir Henry is tops.

Interestingly the bulk of shareholders appeared to be well over 60, and they seem different from most other groups of public company shareholders — more cheerful and happy-go-lucky, you might say.

To the analysts and younger investors critical of some aspects of the company's approach, the shareholders at the AGM did little to help matters.

There were lots of questions, but few helped further the causes of disclosure or shareholder democracy.

First a middle-aged lady stood up and with the qualification that "I'm not a feminist", asked why there weren't any women directors. The directors explained they had never been able to find a woman who was either suitable, or had the time to devote to directorial responsibilities.

The second questioner, also a woman, asked what proportion of shareholders were women, and seemed unconcerned that half the meeting loudly informed her all that information was clearly set out in the annual report.

Then the men took up the questioning — to no better effect.

One asked why, if the wine industry was able to escape some of the heavy taxes which burden the brewing industry by inviting the Prime Minister along to regular "wine and cheese" functions, didn't DB have the PM along for a beer.

The next shareholder complained the Government taxed "all the pleasures in life like beer and spirits", then sat down, well pleased with himself.

A shareholder then asked why he couldn't get a discount from the company, but was answered by another shareholder who told him he shouldn't need a discount because if he was loyal to the company he would purchase DB products anyway and keep his dividends up.

This latter shareholder then began a lecture on how she regularly drank beer because of its considerable health giving properties, particularly "the health giving enzymes".

When it came to raising director's fees, a bright chap from Napier leaped up and proposed an amendment to the plan to boost fees from $50,000 to $60,000, substituting a payment of 0.75 per cent of accrued profits instead. By this worked out at $12... the current year.

But the most profitable ... tion came from a shareholder who commented that the company had been a poor investment up until the last ... when profits and dividends had shown a good rise, ... had been a bonus issue ... chance was there that ... would be maintained.

Chairman Graham ... explained the problems ... control and price cutting ... independents, noting ... bit of sense comes back ... market we will have to continue pushing".

Most were sympathetic ... company's difficulties ... tion to price cutting ... people at the meeting ... mented to *NBR* later ... thought this comment ... how the company seemed comfortable in the ... trading conditions ... to get back to the organised old days ... could rely on your ... not to cut prices ... boat.

But Sir Henry seemed ... wounded that the ... dividend record had ... tioned and he told the "shareholders have ... very good dividends ... years — I'm not aware ... companies who have ... ter."

He reassured the ... there would always ... mand for liquor, ... DB's growing South ... market share, and that DB has 85 per cent of the ... market in Invercargill.

"As far as the liquor ... concerned I don't think ... any stronger company ... Zealand than DB," ... said, adding "shareholders have no need to worry ... dividends are concerned." At this point shareholders enthusiastically applauded ... Henry, but in amongst ... there were a few ... looks.

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	30 DAYS	90 DAYS	180 DAYS
LOCAL FUNDS — Commercial bills prime selling rate % p a	14.1	15.5	15.9
FOREIGN FUNDS			
Eurodollars % p a	17.75	18.5625	18.8125
CURRENCY SETTLEMENTS	Spot	3 mth	6 mth
US dollars (buy/sell)	.8301/.8291	.8270/.8218	.8239/.8146

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Stock Exchange weekly review

FOR WEEK FRIDAY AUGUST 14 TO THURSDAY AUGUST 20

	Last sale	Week's high	Week's low	Turnover
Airwork, 50c	118	...	...	0
6% pr	125	...	...	0
Ajax G K N	405	...	...	0
Alcan, 50c	175	175	175	900
A H I	285	288	285	15100
Alliance, 50c	128	130	125	13900
12% conv pr	113	...	...	0
Allflex	145	148	143	36400
Allied Farmers	335	345	335	104000
12% conv pr	370	375	370	600
Alloy Steel	225	...	...	0
A M Bisley, 50c	245	260	245	6400
Ampol Pet, 50c	247	...	...	0
A Beaven	147	150	147	18900
11.5% conv pr	128	130	128	2200
16 con pref	140	142	140	5100
Andas Group	150	...	...	0
5-6.5% pr	121	...	...	0
12% conv pr	127	...	...	0
ANZ Banking Group	360	370	360	9600
A Wright	370	...	...	0
'A' 6-7.5% pr	80	...	...	0
'B' 6.6% pr	80	...	...	0
A Barnett	336	336	335	1100
A Ellis	50	50	50	2300
Ashby Burgh	385	385	385	1700
A B Cables	330	330	325	7300
Atlas, 50c	55	55	54	216300
10% conv pr	55	55	56	2500
Auck Gas	266	270	265	1200
Aurora, 50c	227	227	227	1100
10% conv pr	260	260	260	100
14% conv nts	105	...	...	0
A C I	270	...	...	0
Autocrat Sanyo	280	280	280	2100
Ballio, 50c	80	...	...	0
Ballins, 50c	128	128	128	13000
11% conv pr	115	...	...	0
Bank NSW	520	...	...	0
Beach Petr, 50c	445	...	...	0
Brendons,	188	189	187	72800
Bing Harris, 50c	82	83	82	14800
B N Z Finance	405	...	...	0
Bridgevale Mining	114	119	114	17900
Brierley, 50c	485	485	476	55350
16.75% spec pr	255	...	...	0
Bos, 50c	76	81	76	2300
B H P, 200c	2365	2400	2350	1750
Brother, 50c	80	80	80	300
Bunting, 50c	195	195	190	11000
C P D	400	400	395	24100
10% conv pr	480	...	...	0
C F M	330	330	330	11900
12% conv pr	220	220	220	3600
Cant Flour	220	...	...	0
Cant Timber	450	350	450	5400
12% conv deb	375	...	...	0
Capital Radio, 25c	115	115	115	1700
Capital Life, 50c	100	100	92	1200
Carlton Ice	280	...	...	0
Carter Holt	390	418	390	4850
CBA Finance, 50c	325	335	325	10100
C L L	290	295	290	9700
Ceramco	260	261	258	85800
12% conv pr	175	175	170	1000
16% red spec pr	400	...	...	0
Chonery	290	290	287	10200
Ch'ch Gas	300	300	300	300
Ch'ch Press	385	390	385	2400
City Realties, 10c	48	48	47	4600
Clyde Group	115	115	115	1800
12% conv pr	110	110	110	400
Collingwood, 50c	55	58	55	2600
13% conv pr	52	...	...	0
Col Motor	320	...	...	0
Colyer Watson	118	118	118	3700
Comalco, 50c	230	240	230	600
Command	185	185	185	3800
Con Metal, 50c	165	...	...	0
conv pr	200	200	200	100
Con Minerals, 4c	19	20	19	47400
Cooks Wine	135	135	125	7800
Cory-Wright	215	230	215	1500
12% conv pr	225	...	...	0
16.25% conv pr	200	...	...	0
Crown Consolidated	242	245	240	24100
11% conv pr	225	...	...	0
C S R	955	...	...	0
Dalgety (NZ)	300	302	298	30600
Dalhoff & King, 50c	61	65	61	7900
Deanes	175	175	175	500
D I C	218	218	218	9200
12% conv pr	165	165	165	8400
Dingwall & Paulger	360	360	360	1600
D Mcl Wallace, 50c	99	105	99	8200
12% conv nts	75	75	75	2600
11% nts '82	100	100	100	700
Dom Brew, 50c	118	148	113	126800
5% pref	120	...	...	0
11% conv pr	85	85	85	4400
Donaghy's	150	150	150	12700
12% conv pr	160	160	160	1200
D R G, 50c	102	104	102	500
Dunlop (NZ)	410	410	400	1700
4.5% pr	55	...	...	0
Ebbett	135	...	...	0
Ebos, 50c	128	130	128	1500
E Lichtenstein, 50c	400	400	390	5650
Emperor Mines, 10c	178	...	...	0
Endeavour	240	240	240	9900
E Adams	230	230	230	100
Europa pref nt	92	92	92	600
F T C, 50c	135	136	134	32400
11% conv pr	113	113	113	1800
F Walmsk, 50c	83	83	83	500
Feltex, 50c	166	167	166	146100
5% pr	175	...	...	0
16% pr	172	172	170	4400
Firestone NZ	145	145	145	300
Fisher & Paykel	338	346	338	50400
Fletcher-Challenge	241	245	240	195900
15% conv pr	102	103	102	5700
16% conv pr	415	415	415	1500
Fountain Corp	110	110	105	11400
Foveaux Radio	85	...	...	0
Freightways, 50c	192	192	190	45800
10% conv pr	150	150	147	6500
Gear Meat	60	62	60	10300
11.5% conv pr	58	...	...	0
G Court	170	...	...	0
G J Coles, 50c	400	...	...	0
Golden Bay, 50c	70	70	69	44400
Goodman Group	500	500	494	39250
14% conv pr	380	...	...	0
Grosvenor Props,	85	85	85	3200
Hallenstein	275	275	275	2300

	Last sale	Week's high	Week's low	Turnover
Hauraki Enterprises, 25c	140	140	140	4600
Hawkins, 50c	102	103	102	5900
6.5% pr	28	...	...	0
H B Farmers	290	290	290	1300
13% conv pr	180	...	...	0
Healing	270	272	270	5400
12% conv pr	265	265	265	400
H Pollard	490	...	...	0
10% conv pr	400	...	...	0
Henry Berry, 50c	190	195	187	7800
Holeproof	500	...	...	0
Hume Industries	172	172	170	13500
5-7.5% pt pr	40	...	...	0
I C I (NZ)	218	218	218	12200
Ind Broadcasting	102	...	...	0
Independent News	192	195	182	22000
Ind Chem, 50c	200	200	200	8600
I Watkins-Dow, 50c	232	240	232	1000
James Smith, 50c	85	85	85	1400
14% conv pr	80	...	...	0
12% conv pr	56	...	...	0
J Burns	102	103	100	18000
14% conv pr	215	215	215	1000
John Edmond	250			0
J Webster, 50c	70	70	70	3000
12% conv pr	59	59	56	600
J Nathan	140	...	...	0
J Rattray	265	...		0
12.5% conv pr	210	...		0
L W Rudkin, 25c	89	89	84	36800
12% conv pr	125	125	125	900
Lanes, 50c	95	95	95	10000
L D Nathan	240	240	233	21000
9.5% conv debs	227	...		0
16.5% conv pr 90	230	230	230	6000
Leyland, 50c	165	165	165	500
Lion, 50c	153	153	146	114500
10% conv pr	160	160	157	4900
12% conv pr	125	125	123	2100
L & M Oil, 50c	35	36	34	15200
Lusteroid	240			0
Mainzeal Corp, 50c	215	...	...	0
15% conv pr	120	...	...	0
Mair, 50c	308	310	308	2400
11% conv pr	330	330	330	400
Manawatu Knit, 50c	110	110	110	800
Manawatu Radio	115	115	115	4400
Manthel	215			0
Marac	198	198	198	20200
McAlpine, 50c	130	130	125	4100
McKechnie	240	240	230	3400
Midland	190	190	190	100
11% conv pr	200			0
Min Resources, 20c	[illegible]	[illegible]	[illegible]	24000
M O'Brien, 50c	[illegible]	[illegible]	[illegible]	2700
12% conv pr	56	56	56	400
15 conv pr	4[illegible]	...		0
Montana, 50c	168	170	165	19700
M-P I M	210	...	...	0
Motor Holds, 50c	176	187	175	31300
Motor Trad, 50c	90	...	...	0
5-6% pr	62	...	...	0
11.5% conv pr	62	...	...	0
MSI Corpn, 50c	100	105	96	61300
12% conv pr	97	97	97	5700
Mt Cook	200	200	197	21200
conv pr	170	170	168	1200
M I M Holds, 50c	750	...	...	0
Nat Insurance, 50c	303	310	300	21100
Naylor	150	...	...	0
6% pr	30	...	...	0
Neil Holdings, 50c	87	89	87	21400
N Z Cement	127	127	127	800
N Z F C, 50c	148	149	148	9400
11% conv pr	140	146	140	2400
N Z Farm Fert	223	224	223	15300
12% conv pr	190	190	190	600
14% conv pr	175	175	175	800
N Z F P	393	397	390	39500
N Z I G	420	425	420	4800
NZI 10% conv pr	266	266	266	5600
N Z Light Leathers	57	68	55	7700
N Z Motor Bodies	80	80	80	800
N Z M C	170	170	168	19300
N Z News	240	240	235	15900
N Z Petrol, 50c	250	825	250	23900
N Z Refining	156	155	155	800
NZSB	92	95	90	308800
N Z Steel	215	215	212	13800
N Z United	600	600	600	300
Nuhaka	195	195	195	200
Odlins, 50c	95	96	95	98700
'A' 6% pr	68	...	...	0
12.5% conv pr	70	72	70	1000
'B' 13% conv pr	72	72	72	2800
15% con notes	118	120	118	18200
Optical	58	58	58	2800
12% conv pr	52	...	...	0
Otago Press & Prod	175	176	176	3200
Pavroc Holdings	240	...	...	0
P D L Holds, 50c	260	260	260	400
Perm Invest	100	...	...	0
Phillipps & Impey, 50c	258	260	253	26900
Printing & Packaging	200	200	195	6200
11.5% conv pr	185	...	...	0
Progressive	180	188	180	27000
12% conv pr	465	...	...	0
Prop Securities, 50c	235	237	235	22300
Prud Building	131	...	...	0
Quill Humphries, 50c	115	...	...	0
12% conv pr	110	...	...	0
Radio Avon, 25c	120	...	...	0
Radio Otago	110	110	110	800
Regina	165	165	105	14100
R & W Hellaby	101	102	100	91700
Reid Farmers	358	...	...	0
Repco (NZ), 50c	83	83	83	7900
Revertex	300	300	300	1800
Rex Consol	310	315	310	5000
15% conv pr	180	180	180	2700
Rheem, 50c	225	225	220	700
Rothmans, 50c	165	165	157	66100
R W Saunders	300	...	...	0
Salmond	230	230	230	22700
Sanford	345	345	345	3700
pr	330	...	...	0
12% conv pr	305	310	305	400
12% 'B' conv pr	290	...	...	0
Schofield	175	175	175	200
Scott, 50c	103	103	100	13700
12.5% conv pr	90	90	90	100
Selby	280	...	...	0
Skellerup, 50c	370	375	370	9600
5-7.5% pr	40	...	...	0
Smith Biolab, 50c	190	190	182	6000
12% conv pr	165	165	155	400

	Last sale	Week's high	Week's low	Turnover
Smiths C M	195	195	187	2900
Sthn Cross Hotel	135	135	135	1600
Sthn Cross Mins, 20c	40	41	40	5000
S F M	290	290	285	20600
Spedding, 50c	70	80	70	1300
12% conv pr	78	80	78	900
Steel & Tube, 50c	135	137	132	17200
Suckling	160	160	160	1600
Taylors	160	...	...	0
12% conv pr	180	...	...	0
Tolthorm	170	178	170	1900
12% conv pr	140	...	...	0
T J Edmonds	305	320	305	1100
Tolley	195	197	195	7100
Tourist Corp of Fiji	40	...	...	0
Trans Ashburton, 50c	60	...	...	0
TNL Group, 50c	116	117	115	155500
10% conv pr	90	90	90	1300
12% conv pr	112	112	107	3400
Trans (Nth Cant)	142	...	...	0
13.5% conv pr	116	...		0
16% conv pr	115	...		0
U E B, 50c	115	117	114	44100
6.5-7.5% pr	115			0
12% conv pr	108	110	108	8500
15% conv pr	65	66	64	7600
United Bldg	130			0
United Publishing, 50c	305			0
Vacation, 50c	93	94	93	35600
12% conv pr	75	75	75	300
12.5% conv pr	72	72	72	300
Visionhire,	140	140	135	818500
Waitaki NZR	265	265	258	16200
11.5% conv pr	212	213	207	900
Walker & Hall	460	460	460	2100
Wattie, 50c	190	205	190	33800
12.5% conv pr	112	112	110	4300
16% conv pr	175	180	175	19600
Welgas	420			0
Westbridge	220	225	220	400
Wilkins & Davies	320	320	320	200
5.75-7.5% pr	58			0
W Jeffery	155	155	155	100
12% conv pr	140			0
Wilson & Horton	445	445	440	[illegible]
Wilson Distillers	155			0
Wilson Neill	110	110	108	[illegible]
12% conv pr	105			0
Winstone, 50c	[illegible]	[illegible]	[illegible]	[illegible]
12% conv pr	[illegible]	[illegible]	[illegible]	[illegible]
W Wills (NZ)	72	72	[illegible]	[illegible]
Wormald	[illegible]	[illegible]	[illegible]	[illegible]
5.75% pr	132			0
W Sutherland	116	[illegible]	110	[illegible]
Yates Corp	435	[illegible]	425	2300
12% conv pr	130			0

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Mining

Fishing board wary of mining law changes

by Ann Taylor

THE conflicting interests of land-users has been central to the debate on future mining legislation. Now fishing interests have put their oar in by studying the implications of land-uses — of which mining is but one — on the fisheries resources and habitat of our coastal waters.

A position paper done by the Fishing Industry Board "to assist Government in policy which is sensitive to fishing industry concerns" identified three factors which could affect fisheries from increased mining activity on, particularly, the Coromandel Peninsula: The deposition of tailings on the sea-bed, the effect of increased sediment loads in run-off and the presence of toxic leachates from mine tailings.

The board, vested with the responsibility to "promote the fishing industry", is concerned to protect the near $1 million of fish landed on the Coromandel.

"The fisheries resource in the waters adjacent to the Coromandel is renewable and it is, therefore, important to prevent a catastrophic event which could perhaps cause long-term disruption to the ecosystem of these waters . . . in one year, one decade or one century from the commencement of mining activity," says the report.

The board's stand "does not favour the establishment of numerous medium-scale or a few large-scale mining operations in the Coromandel area.

"This is due to the high risks for the commercial fisheries resources inherent in such development, given existing mining technologies and the physical environment within which such operations would operate. This makes long-term safeguards impossible."

The report expresses the industry's concern that "it is quite straight-forward to build environmental safeguards into legislation but quite another to adequately enforce them."

The paper concludes with recommendations to the policy-makers:

- That the present powers conferred to the Minister of Fisheries to veto or place conditions on a mining licence be maintained;
- That land-use legislation needs to recognise the possible impact on coastal waters;
- That further environmental safeguards be included in the present draft of the Fisheries Bill which would take precedence over other acts with jurisdiction over the sea and sea-bed and that its jurisdiction be extended to include the control of possible incompatible inland land-uses.

The report also concludes that the Continental Shelf Act, under which Fletcher Challenge has a large prospecting licence for the Chatham Rise area, should ensure:

- Procedures for the issuing of prospecting and mining licences be brought into line with those embodied in the present Mining Act with suggested improvements;
- That the Crown be enabled to impose, as necessary, conditions on licences issued to safeguard alternative uses of the sea-bed and sea resources be clearly established in the Act.

Govt backs off unemployed survey

UNEMPLOYMENT is still the country's paramount concern according to last week's NRB survey — but the need for an accurate count of the number of unemployed will not be satisfied yet.

Labour's West Coast MP Kerry Burke tried to introduce a private members Bill last week to amend the Statistics Act to ensure that a household labour survey is done and an accurate number arrived at.

Government members were strong in their criticism: it would cost too much and was unnecessary.

A quarterly household survey would cost $600,000. No amendment is needed to the Statistics Act which already allows the Government Statistician to survey different areas including the labour force.

And while there is plenty of recognition that the more data available the better the policy, counting the numbers of unemployed can be likened to counting spots on someone with measles — the problem a...

A household survey has its shortcomings. It is only a "sample" from which it is difficult to generalise about the numbers and location of the unemployed. The Census would seem the logical method of collecting the data but the questions on employment, as put to in the 1976 Census, are the same in the 1981 Census.

A survey would demonstrate a sincere commitment to employment policy; it would provide better information on which to base policy and add sustenance to the ...

But it would necessitate a rearrangement of the Statistics Department's priorities and is not seen as urgent by the Government.

If Burke had political motives in introducing the Bill, they would have been thwarted.

The Statistics Department would take eight months to gather, process and produce the material. And the "first" through is always rather ... according to the department.

Energy

Once again, search is on in the Great South Basin

THE arrival of a seismic survey vessel at the port of Bluff late this month, signals the beginning of another chapter in the search for oil in the highly prospective but extremely hazardous Great South Basin.

The Western Odyssey, which is owned by the Western Geophysical Company of America, is sailing for Bluff from the Far East to undertake the survey for Phillips Petroleum.

Phillips is one of three partners in a consortium which will again be looking at a resumption of the search for oil in southern waters. The other two are the Hunt International Petroleum Company and the Government-owned Petrocorp Exploration.

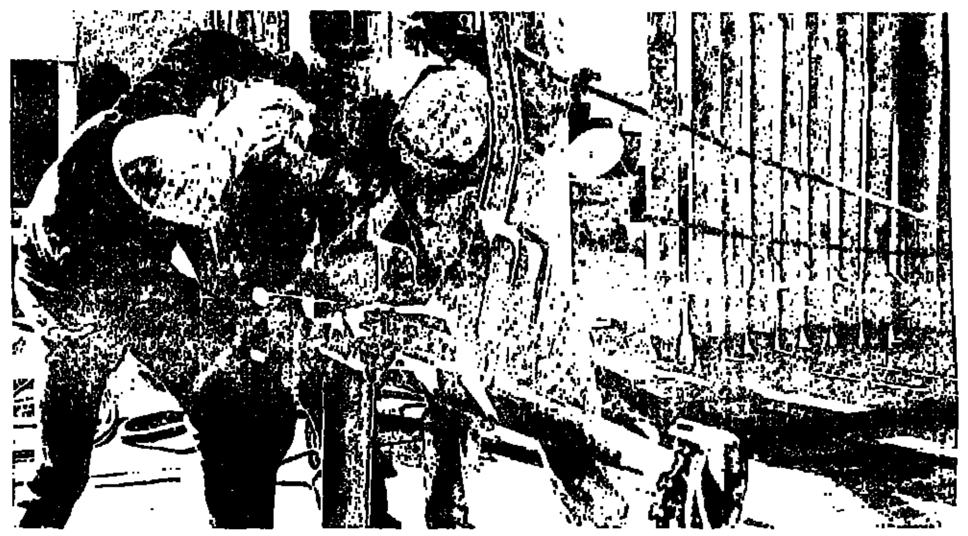
Hunt is playing a quieter role in the survey which does not mean another drilling programme will automatically follow. Phillips has several operations in South-east Asia, and is better situated to oversee the survey.

Compared with previous studies beneath the ocean floor, the latest survey is a comparatively small one.

Between 1970 and 1973, soon after Hunt was granted licences to a large area of the Great South Basin, nearly 43,000 line kilometres of ocean bottom were seismically surveyed.

The latest survey is only 2750km, and depending on the weather, should take between 27 and 42 days to complete.

The survey is achieved by towing air guns behind the vessel which fire high-pressure volumes into the water. A 2400-metre cable is also towed behind the vessel, and detectors on it are able to record seismic signals returning from hundreds of metres beneath the ocean floor.



An accurate "map" of what lies to a depth of 7600m can be drawn. Once the survey is completed, the data will be sent overseas again, and around next February, the three partners will get together again to determine whether a drilling programme should resume.

The survey will chart new areas beyond the Auckland Islands, which would be an extremely high-cost drilling area, about 320km south of the southernmost point of Stewart Island.

Radio navigation stations on Stewart Island and at Milton, near Dunedin, have already been installed for the new seismic programme.

As usual, the explorers are giving little away about prospects, but earlier surveying revealed six previously unknown large tertiary basins.

Before Hunt fell out with the Government over taxation — a dispute never really settled — some seven wells were drilled in two of the basins.

Using the Penrod 74 oil rig, which was badly damaged on a reef off the Phillipines some months ago, although it has since been repaired in Singapore, the explorers found oil and gas in one of the wells, and shows in two others.

However, in wildcat drilling, the world average for petroleum encounters is one out of every 10 holes drilled, while one in 50 results in the discovery of a significant hydrocarbon deposit.

On those results, therefore, the Great South Basin, with its known 30 to 40 giant to super-giant anticlinal structures and an equal number of smaller ones, mostly at a water depth of 600m, is an exciting place for oilmen.

The potential has been estimated at between 1500 million and 2000 million barrels.

The latest survey could find even more promising areas.

Government pressure will be on the American companies if the survey shows further prospective areas.

Hunt has retained the most promising parts of the huge licence area it was able to negotiate in 1969, although 80 per cent is presently up for grabs from other explorers.

It has a seven-year agreement with the Government, the second year of which ends in April next year. Energy Minister Bill Birch had made it clear he expects a work (meaning drilling) programme after the second year is up.

However, any drilling will be extremely costly. The more expensive holes drilled by the consortium between 1975 and 1978 cost more than $20 million each, and costs have soared since then. The cost of recovery would be even higher.

Under the previous agreement, the state met 40 per cent of the exploration costs for a right to take 51 per cent of any find.

The tens of millions of dollars required will undoubtedly be borne in mind when the time comes to consider when a new drilling programme will start.

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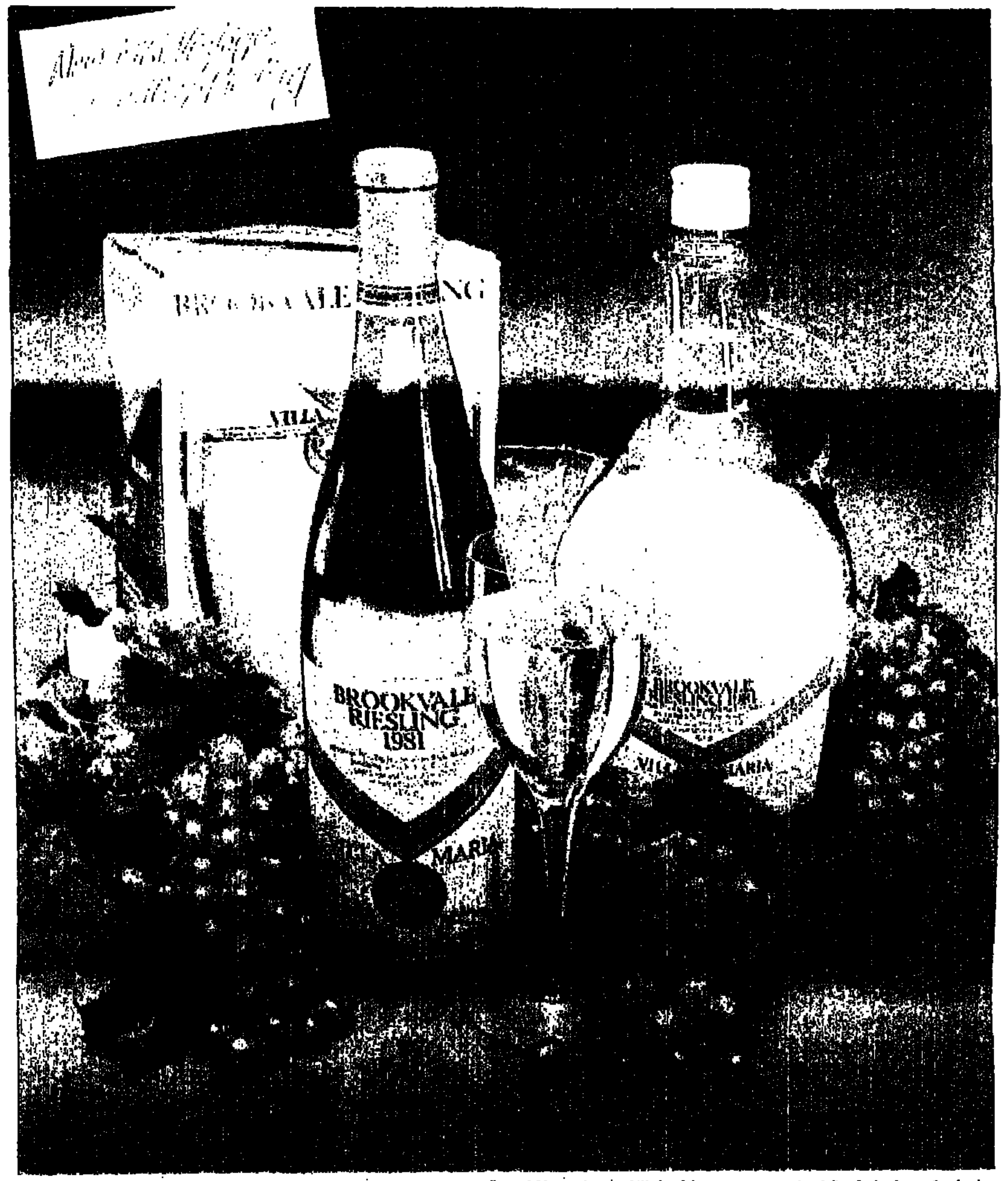

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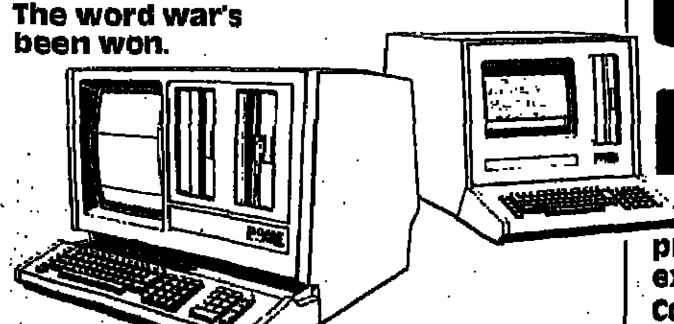

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Energy

Alternatives put forward to synthetic fuel plant

by Ann Taylor

ALTERNATIVE routes to self-sufficiency in transport fuels were proposed last week as the synthetic fuels plant edges down the fast track to the same destination.

Jeanette Fitzsimons's *Synthetic Petrol or Sustainable Fuels*, published by the Environmental and Conservation Organisations, argues that the planned Mobil plant, which will produce 570,000 tonnes of petrol a year, is an expensive and wasteful use of the Maui gas resource.

Two alternatives are suggested in the paper:

- Conversion of 250,000 new cars and 150,000 high-mileage vehicles in gas-reticulated areas of the North Island to CNG. Cost: $600 million.
- Introducing 25,000 new alcohol-engine cars in the South Island and 100,000 M85 (a petrol extender with a high methanol blend content) conversions. Cost: $795 million.

The Synthetic Fuels Corporation shareholders — Mobil and the Government — contend that the cost of the synthetic fuels plant is around $750 million although the numbers bandied around (by, among others, Finance Minister Rob Muldoon) have risen to $960 million.

Fitzsimons contends that the "Rand factor" (deduced by the American Rand Corporation which found that large new process plants cost 300 per cent more than estimated) pushes the cost up to $2 billion in 1981 dollars.

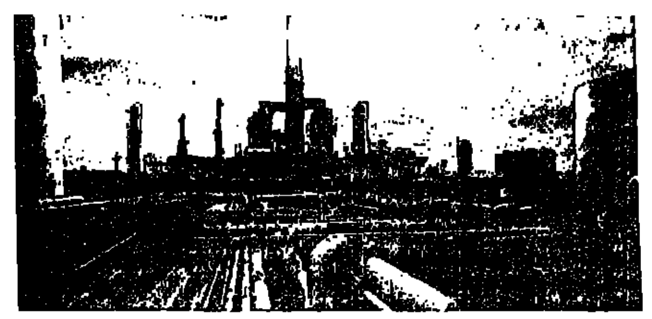
The Marsden Point refinery — scene of industrial disruption and potential snap elections — is an integral part of any fuels policy.

Fitzsimons argues that "if we achieve any increase in self-sufficiency from renewable or gas-based fuels, the market for petrol will decline and this will undermine the economics of the refinery. An expanded refinery would make the Government reluctant to allow substitution for too much petrol."

The refinery expansion will almost eliminate the need to import refined products but Middle East oil producers she argues, are also investing in refining plants, to add value to their crude oil, and in specialised tankers to deliver it.

"They may not be willing to sell us crude oil if we do not also buy refined products," Fitzsimons says.

Diesel supplies "critical to keep the country going in an emergency" are a constraint which "means that Mobil petrol, *in addition to the* refinery petrol produced as a diesel 'by-product' leaves almost no room for further substitution from CNG or methanol unless we are to import refined diesel or export petrol . . . CNG and methanol can help the diesel problem but they are only likely to be developed in this way if they are also 'mainstream' fuels for petrol vehicles."



Marsden Point . . . a key factor in argument.

The continued need to import diesel demonstrates "they are not really serious about security of supply, because it safeguards private motoring but not essential services."

The oil companies involved with the NZ Refining Company, which runs the refinery, *will be offered 24 per cent of* the shareholding in the synthetic fuels plant.

The current shareholding of 50:50 between Government and Mobil will change when the project gets the go-ahead to 75 per cent Government and 25 Mobil.

The Government has given an assurance to the oil companies that an offer will be made.

Energy Deputy Secretary Bill Falconer said it would not be prudent to make the offer until all the planning consents have been settled.

The Government will own the gas and the final product which will have price parity with the cost of imported and refined petrol.

Fitzsimons argues that "because the Government would pay the coporation a tolling fee and the rate will be negotiated in terms of return on capital invested, a high capital cost is clearly in the Corporation's interest."

But Falconer said that while the company gets a fixed return, "if the price of oil goes up then the profit returns to the Crown."

Ministers are now considering a report on the commercial viability of the project prepared by the joint executive committee (JEC).

Committee members are also on the board of the Synthetic Fuels Corporation. The SFC, in the meantime, operates only as instructed by the JEC which is responsible to the Government.

Falconer said all the contracts for the project are still under negotiation.

"Ministers are still awaiting certain developments on eight contracts. Project management and control is still being negotiated; it's making progress but these things are never easy," he said.

Fitzsimons argues that the synthetic fuels plant will use the gas fast enough for the Government to avoid paying twice for gas which it has not used during its 30-year take-or-pay contract.

Falconer says "that was not the main drive of the project," the impetus came from "pressure from oil price rises and the risk of interruption.

"If we could take time about achieving self-sufficiency then the CNG option would be OK."

But he expressed some reservation about that option: "As soon as we've got 400,000 cars converted somebody will come up with something better."

He does concede that synthetic petrol will always be more expensive, to the motorist, than CNG.

Dr Colin Maiden, chairman of the Synthetic Fuels Corporation, expressed his reservation about the CNG option to the Planning Tribunal hearing the pros and cons of the plant in Taranaki at the moment.

He told the tribunal that "to match the transport fuel self-sufficiency derived from the synthetic petrol plant an estimated minimum of 600,000 vehicles would need to be converted to CNG.

"The present goal of converting 150,000 vehicles by the end of 1985 is ambitious . . . an additional 600,000 in a similar time frame would seem to be an insurmountable task."

The present average of 1300 conversions a month and the lack of reticulation in some areas, the unsuitability of old, low value or low mileage cars means only about 600,000 cars are "available" for conversion, he said.

Employment has been one of the expressed purposes in the Government's growth strategy. Fitzsimons says 1400 to 1800 people would be needed to build the plant and the investment per job would be $4 million in 1981 dollars.

Energy Minister Bill Birch, in a letter to her, concedes that "it is certainly true that the M85 route would create more jobs and in a more decentralised way than the methanol-to-gasoline unit."

Falconer said the revised estimates show that 1300 people would be needed to build the plant and "the assumption is that the labour force will be able to be found in New Zealand."

If planning consents are ratified by November the construction will start six months earlier than the original project implementation plan.

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Energy

Quiet Caltex takes unaccustomed initiative on CNG

by Rae Mazengarb

CALTEX'S plan — now reaching fruition — to invest heavily in CNG facilities has been welcomed by the Government, which needs a catalyst to ensure the achievement of the national energy programme goal of converting 150,000 vehicles to CNG by the end of 1985.

A major investment in retail facilities would go some way to solving the supply situation which was dampening the public's enthusiasm for the fuel. This week Caltex has announced the first 11 CNG outlets in Auckland, Wellington and Hamilton, due to open soon.

Endorsing the programme in February this year, Energy Minister Bill Birch reiterated a Government promise that a significant price differential would be maintained between CNG and petrol, just to kick the project on its way.

It is significant that the $23 million answer to the Government's prayers — with 53 retail outlets planned for CNG — came from Caltex, a quiet company which had previously shown no desire to embark on major initiatives.

Apart from retailing petrol, the company kept away from the public eye. And it certainly didn't show the eagerness of the other major oil companies to grasp at the many large energy projects planned for the next decade.

Until just a few weeks ago, no top Caltex (NZ) executive had even granted an interview to a member of the country's news media.

The company had made announcements on specifics, but it had not talked openly about what it was doing here, or what its plans for the future were.

So why, after so many years, has the organisation had the apparent change of heart? Why is Caltex suddenly so keen to get involved in New Zealand's energy future? And why is the company now prepared — even eager — to lift its public affairs profile?

Managing director Bill Dunning, an easy-going, personable man, is perhaps the key link in the "new look" policies of Caltex. But he refutes entirely, the suggestion that it's all his doing.

Born in Washington DC, 53 years ago, he joined the Caltex group in 1957. Before that, his only other experience had been as a journalist, serving some years as Washington correspondent for the Scripps-Howard/Newspaper Enterprise' Association.

He worked mainly in marketing in overseas' Caltex companies before being appointed chief executive officer for Caltex Oil (Thailand) Ltd and Caltex (Philippines) Inc.

His arrival in New Zealand he describes simply, as a "propitious moment". Caltex was looking at CNG. Dunning took over the reins and steered the company on its future path.

After all, he points out, "there's no way in the world that I could get a company of this size to go where it didn't want to go."

The CNG programme was a local initiative which caused great confusion in the Caltex (worldwide) system. It was unfamiliar territory, a field totally new to the corporation. But three New Zealanders went abroad last year to investigate the possibilities of the technology, and collect the needed data.

They also sold the idea to the worldwide corporation. According to Dunning, when the group president came out to look into the concept he confessed afterwards: "I sat down as a sceptic, but I get up as a convert . . ."

That's not to say the project was without risk. As Dunning says, the studies, which were begun seriously in April/May 1980, showed a cost of $23 million for the programme. They also showed the planners that they were dealing with an unknown. "Essentially, there was no identifiable market . . . this was the unique thing about it," says Dunning. Rather, it was a classic chicken and egg situation. Caltex had a major role to play in developing the market.

The idea of a chain, attached to established petrol stations, with their other vehicle-servicing offshoots, was seen as the only way to make an impact. The stations picked for the scheme would be announced in batches, rather than dribs and drabs.

Dunning is conscious that until now, his company has made no contribution to the Government's energy programme, other than its involvement in the refinery. He is also conscious of the fact that Caltex is not entirely breaking new ground, and says he has admiration for the "pioneers" of CNG in this country.

"We might be bigger, and an important contribution, but they really pioneered (the use of the fuel) . . . what they want now is more customers, more impetus . . ." He says that even at current petrol prices, direct foreign exchange savings will exceed $27 million annually once the retail chain is fully operational.

And he is quick to talk about the added benefits to the country of the extra condensate which will come out of Maui, if the Government target of 150,000 vehicle conversions is achieved — almost 1 million barrels, representing foreign exchange savings of a further $44.5 million.

Dunning is confident people will now convert to CNG, despite the recent price hike in LPG. Currently the price of CNG is around half that of petrol, and likely to remain so, he says — a commitment the Government never made in relation to LPG.

Why has it taken Caltex so long to make a move? Dunning explains the company's low profile in terms of economics. When the company took its share, along with the other oil companies and the public, in the NZ Refining Company, its equity reflected its position in the market.

Since then, he says, Caltex's position in the market has increased substantially. But its share of the products coming from the refinery has not kept pace and the company has had to import more refined products vis-a-vis the other companies. (Around 70 per cent of the country's oil products come from the refinery.)

In short, Caltex was paying more for its products overall than its competitors. To stay in business, it had to keep a tight ship and that left no room for major development expenditure, let alone a high public affairs profile. But with the expanded refinery, a decision that's taken 12 to 14 years, Caltex will receive its market requirements. "It's prese[illegible] us with greater security," Dunning says, and enabled the company to become more dyna[illegible]

Caltex is simply broade[illegible] its activities as the other companies have done. Dunning says, in fact none of the companies moved as soon as they should have, when the first [illegible] shock hit in 1973/4. Rather [illegible] second shock, in 1978/9, [illegible] the critical time for decision making.

But he blames governme[illegible] — with their price con[illegible] policies — for the inaction [illegible] the part of the companies. [illegible] controls, to "protect the consumer" were well intended, [illegible] left the industry without [illegible]cient capital to invest in [illegible] technologies, he says.

While such statements [illegible] be met with disbelief, Du[illegible] says the oil industry's pr[illegible] has always been "too [illegible] zeros". In such a huge ind[illegible] profits naturally look more [illegible]pressive than they are, he [illegible]

To illustrate, Dunning t[illegible] of his own experience of [illegible] pansion project on the dra[illegible]

Bill Dunning . . . sceptic to convert.

board of an overseas' C[illegible] company. At a cost of [illegible] million the project was bey[illegible] the company's resources [illegible] was shelved for a period of [illegible] months.

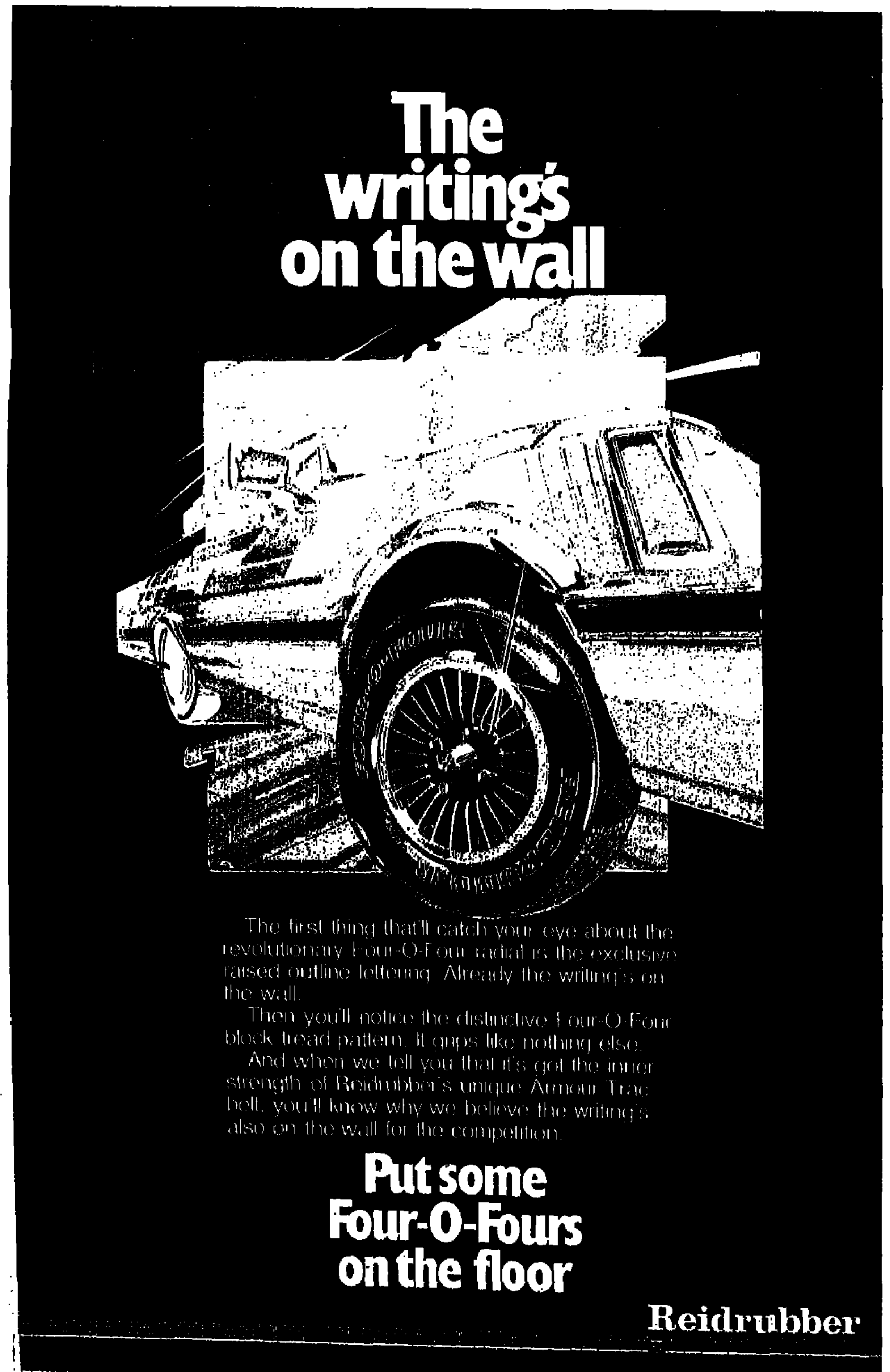
By then, finance had be[illegible] found. But the cost in [illegible] meantime, of the same pro[illegible] without alteration, had [illegible] to $300 million. It was [illegible]ped. Such is the effect of [illegible]tion and other factors on [illegible] developments.

So what of the future [illegible] Caltex in New Zealand? In [illegible] short term, the company [illegible] participate shortly at a [illegible] conference in British Colum[illegible]bia, to promote the use of CNG, particularly as [illegible] automotive fuel.

The Canadian province has [illegible] conversion goal of 600,000 vehicles, but according to Dunning, is well behind this country in terms of progress. Caltex will deliver a paper on its [illegible] chain project, which has already sparked inquiries from abroad, he says.

In the longer term, the local CNG initiative could be just a stepping-off point. Dunning hints that more is in the pipeline. The company has already moved into oils, which he describes as an extremely [illegible]pensive field. For a year now Caltex has been buying up used oil and selling the re-refined product. It has also bought [illegible] a construction company, a consumer for its increased share of bitumen product from the refinery.

The company is currently revising its future plans. If others don't take up the CNG retailing initiative, Dunning says the company may have to go further on that path.



Investment

Hawaii touts lure Kiwis into illegal credit deals

by Allan Parker

'CONDOS-on-credit' real estate touts in Hawaii are luring New Zealand tourists into illegal property investment deals that could cost them thousands of dollars.

The property development salesmen operate on the streets of Waikiki in Honolulu — a mecca for sun-seeking holidaymakers from around the Pacific.

They offer these tourists — many of them New Zealanders — a free meal and then apply pressure to buy into condominium (apartment block) proposals.

Cash is no problem, they tell the tourists; on-the-spot calculations will come up with a monthly repayment scheme on credit cards.

In this way, the developers (and sometimes the tourists) try to evade New Zealand currency regulations.

Reserve Bank policy on such deals is that overseas property investment by New Zealanders is not on.

Yet even the bank admits policing that policy is a "hit-and-miss" affair. It has no way of knowing just how many deals have been signed.

However, according to a Reserve Bank source, some transactions negotiated between Hawaiian property developers and New Zealand tourists have been cancelled by the bank.

The situation has become so serious that the Travel Agents Association of New Zealand (TAANZ) has advised its members: "Beware and warn your clients."

The association's August newsletter, distributed to travel agents throughout the country, says: "Please warn your clients that they may be offered free breakfasts, lunches or gifts on the streets of Honolulu.

"There is no such thing as a free lunch and they will be lured into a possible 'time-sharing' scheme for property development."

Association president Alan Spence and executive director Peter Lowry tried out one of these free-of-charge proposals en route home from Canada recently.

"We were appalled by the rudeness and pressure on us to 'buy' and were dismayed to see this type of thing being peddled in such a wonderful tourist paradise as Hawaii," said Lowry.

"However, times are hard and business is down, so property developers are trying any means to promote."

The two travel industry chiefs were told credit cards could be used and New Zealanders were "flocking to the cause".

Lowry later told *NBR* that the property developers "turned very rude and nasty" when the two officials refused to commit themselves to signing up for the condominium deal, which basically raises cash in return for a guaranteed time-availability in the apartment block, once built.

"If an unsuspecting person on holiday encountered this it could be a very unpleasant experience," said Lowry. "They asked us some very personal questions about income and so on."

He said the Hawaiians appeared to be "boned up" on New Zealand currency regulations.

The Reserve Bank says the practice is "sufficiently numerous" to indicate this touting is going on regularly overseas.

The bank has identified some dozen companies which are operating, not only in Hawaii but elsewhere, said a spokesman.

However, foreign exchange policy administered by the bank regards such a transaction as an investment.

"An investment that uses a capital sum and acquires the rights to use an overseas asset is not permitted," said our source.

"You can't remit overseas to buy portfolio investments or property."

However, the use of credit cards is proving difficult to control, the source admitted.

"Although it is not on under foreign exchange policy to use credit cards, there are some technical difficulties over what controls there should be on credit cards.

"For example, we don't set out to police credit cards held by any individual; we don't want a police state."

But just that attitude means policing infringements of the foreign exchange regulations difficult and the bank has no way of knowing how many individuals or how much money is involved.

Our source felt the activity was "quite substantial" and New Zealanders were on the property developers' "hit-list".

However, there is "no way we can home in on the figures".

This is because the deals worked out between developer and client overseas can be such that the deposit and monthly repayments are small enough to avoid arousing credit card company suspicions.

A large single transaction would probably be refused by the credit card company, said the Reserve Bank source.

But a smaller figure would not necessarily be recognised by the credit card company.

Our source admitted: "In respect of credit card transactions, it (identification of such illegal property deals) is a hit-and-miss situation, depending on the nature of the information supplied to the credit card company.

"Credit card companies have a highly-computerised operation and you can't expect a computer to read minds."

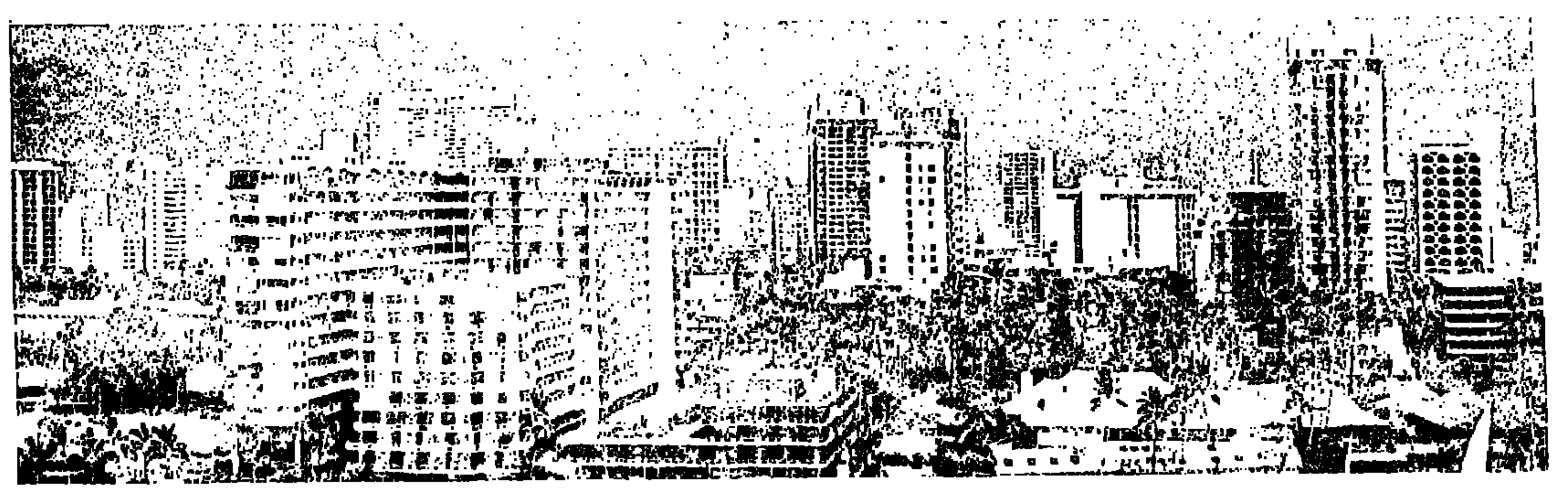
He agreed that the use of a credit card to finance such a deal "may be successful". However, in some instances where such deals have been discovered, the transactions have been reversed by the bank.

In other instances, individuals have approached the bank seeking permission to sign into a condominium arrangement. Permission has been refused.

"We mean business," said the Reserve Bank official.

So, clearly, do the property developers who continue to prowl the streets of Waikiki with their eyes on the credit card-holding New Zealand tourists.

And given the Reserve Bank's acceptance of "hit-and-miss" discovery, the discovered instances are obviously the tip of the "condo iceberg".



Waikiki Beach . . . the illegal tip of the "condo iceberg"?

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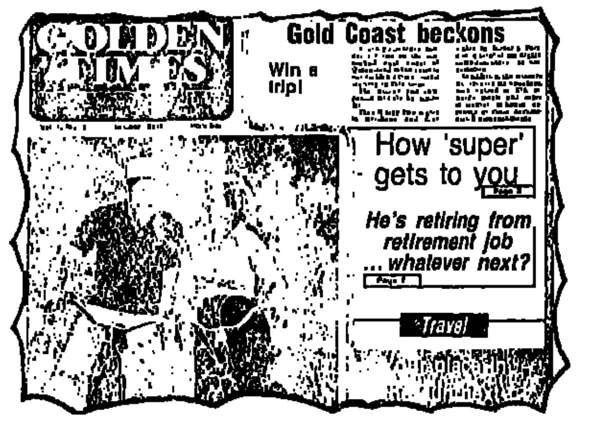
Old become hot news



WITH the advent of a new monthly publication, *Golden Times*, in October, advertisers will, for the first time, be able to tap in directly to that lucrative but sadly overlooked market of 60 years plus . . . the national superannuitants . . . the senior citizens . . . the golden oldies.

In 1978 in this column, in drawing attention to the market represented by seniors "busy replacing household goods, renewing cars and planning travel", we quoted economist A J White who wrote: "These people will become the financial aristocracy of New Zealand."

In 1979, we pointed out that 52,000 people over 60, or one in seven, had made a trip overseas the previous year.

New Zealand Newspapers, in presenting the rationale for this new paper have dug out more provocative evidence of market potential in several areas.

The 406,000 superannuitants over 60 enjoy a total income from this source of more than $25 million dollars each week. Their income from private sources is thought to be even higher.

It is suggested that approximately 70 per cent own their own homes freehold.

They are heavy users of financial services of all kinds, own later model cars than the average, are average consumers of clothing and foodstuffs, above average with certain health and beauty aids and drink more sherry and spirits than the younger beer drinkers.

And this market is growing. Now nearly 20 per cent of the total market 20+, in the next 10 years it is expected to increase by 13 per cent to 480,000 in all.

Golden Times will be printed tabloid size web offset on newsprint with four colour and spot colour availabilities. The intital print run will be 30,000 and the cover price 50 cents.

Commenting on the worldwide trend away from general interest magazines to those catering for special interest groups, NZ News managing director Nevile Webber told *NBR:* "I don't know why we didn't see this opportunity before.

The company's interest was sparked by the appearance of the *Melbourne Age's* new publication, the *Australian Pensioner* which, in spite of its uncomfortable title, grew from 30,000 to 120,000 circulation in five issues.

The publishing team for *Golden Times* has done its homework in preparation for the launch. The title has been researched. The concept has been researched. Hobbies, interests, reception to editorial topics have been investigated. The market profile has been established.

"I can honestly say I have not known such a current of electricity among our executives as we've had since we began to explore this new monthly," said Webber.

"First there was the gut feeling that it was a great idea with an immense field of editorial interest. Then we conducted some market research and that gut feeling was turned to a near certainty."

NZ News has set up a highpowered team to get *Golden Times* on its way. All it needs now is readers.

— Grev Wiggs

A swimming success

THREE of the key pieces in the marketing jigsaw are a good product (preferably with a plus), a system of distribution that blankets the marketplace and a sound advertising programme.

When ICI set out to market Baquacil, a swimming pool sanitiser, in New Zealand, it knew from previous overseas sales experience that the product would perform on all counts.

But the shape and pattern of distribution used in other countries did not apply here and that piece of jigsaw was missing.

Even worse, the biggest single outlet in the pool business, a national chain of retailers, was allied to an opposition brand and not free to handle Baquacil.

Unlike most staple products, the sale of swimming pool chemicals is not limited to a specific class of retailers. Elbowing each other in this rather specialised field are such disparate outlets as supermarkets, chemists, hardware stores, department stores, stock and station agents, pool builders, pool servicemen and chemical manufacturers.

Furthermore, pool maintenance calls for constant vigilance by owners. Not only is it necessary to keep the pool free from bacteria and algae but the water quality must be balanced — not too acid, not too alkaline. So the pool owner needs responsible advice from suppliers of pool chemicals.

And because the business is seasonal, the retailer must be kept involved and motivated from year to year.

Slowly, patiently and methodically, ICI put together a network of distributors, selected independent pool supply specialists, stock and station agents in rural areas where interest had been shown, a selection of chemists. Even electric appliance stores were found to be the right outlet in one location.

ICI then produced a programme designed to provide maximum product knowledge for their retail outlets. There were plans for holding dealer seminars. Visits by overseas experts were timetabled. Regular mailings of service information were scheduled. Even plans for pool clinics were devised.

Baquacil had been introduced in a low key operation in 1977. When distribution arrangements had been wholly effected, the first full-scale promotion was timed for the summer of 1980-81.

The size of the market is still largely a matter of "guesstimation." The penetration of pools was dependent on climate and geography with the vast majority of owners being in the centre and north of the North Island.

An all-in budget of $50,000 was set to accomplish a new goal for new and repeat business.

Traditionally, the pool sanitising market has been dominated by chlorine-derived products. Baquacil is a non-chlorine product. This made possible claims for greater safety in storage, efficiency in bacteria and algae control, freedom from problems of smell, taste and eye iritation, plus reduced pool maintenance with only a three or four-weekly treatment required.

The objectives of the advertising were to clearly communicate the main product advantages and to identify the distributive outlets.

The strategy was to position Baquacil as the new pool treatment that superseded chlorine.

Copy described the product as the one "that cares for the swimmer as well as the pool."

Television, the major vehicle, showed open-eyed children happily swimming under water as a visual demonstration of product claims and a reassurance to parents.

"The technical aspects of the product were deliberately left for point of sale instruction," Mackay King's Barry Manley* explained to *Admark*. "We wanted to concentrate on the message that the product was chorine-free and kind to swimmers."

Magazine advertising was planned to identify dealers and point of sale material pinpointed the product instore.

A key visual from the TV commercial was used as a unifying factor in all material right through to the label.

The campaign was released in September/October, 1980. TV advertising commenced. Print advertising was scheduled. The dealer training programme swung into action.

All the pieces of the marketing jigsaw were now fitting neatly. In a few months the season was over and the results were easy on the eye. The sales target had been exceeded. Sales were two and a half times bigger than the previous year.

Then in May, 5 months after the campaign stopped, Heylen Research took some relevant measurements.

Unprompted awareness of Baquacil was 54 per cent and prompting increased this to 86 per cent.

A quarter of the pool owners had converted to the product. Of pool owners, 60 per cent were aware of Baquacil advertising and the recalled claims included "easy to use, kills bacteria and algae, tasteless and odourless."

Baquacil users saw its advantages not only as infrequency of application and ease of use but freedom from eye irritation, taste and smell.

Then a sample of pool owners were asked questions about their retailers. Did they know all about pool chemicals? Had they explained each type of chemical? Would they see their retailer if they experienced problems? Baquacil retailers outscored the opposition heavily on all counts.

Giving due credit to product and advertising, the success of this operation is due to ICI's perspicacity in recognising the specialist selling nature of the proposition. Outlets needed to sell and service — not merely stock — the product. The attention paid to distribution turned a potential disadvantage into a source of strength.

Someone once defined marketing as the sum of all the elements required to create prospects and turn them into customers. It is merely a question of getting your sums right.

— Grev Wiggs

Seminar sales exercise

SMEI (Sales and Marketing Executives International) is using textbook strategy to sell its national conference in October.

It has divided the proceedings into four seminars covering subjects which might roughly be described as the place of marketing, research and planning, commercial communication and wholesaling and retailing.

You may attend any one seminar if you wish (market segmentation?) or take advantage of progressive discounts (incentive selling?) which means that the more sessions you attend, the lower the fee per session.

The preliminary circular detailing the programme contains a small marketing transgression. It fails to tell the prospect where the product can be bought. With a little pardonable chuckle we reveal that the conference venue is Wellington.

Between the cocktail party on Thursday, October 8, and the dinner on the following Saturday, conferees will be exposed to some pretty highpower manpower dealing with marketing cogencies.

The first seminar sees Dr J R Daunier, professor of marketing and management from Fayetteville University in North Carolina, presenting the "80's survival kit" followed by Otago's marketing professor, Guenther Mueller-Heumann, who sets out to examine the role of marketing in a changing marketplace.

Research is the opening subject of the second seminar with Richard Brookes, of Victoria University, looking at low-cost, do-it-yourself research and Ken Fink-Jensen, of Heylen, traversing the problem-opportunity aspects of formal research.

These speakers are followed by Massey's marketing professor, Steve Bridges, and by an Australian financial marketing consultant, Bruce Perrott, who deal with how to build a marketing plan and how to sell it to top management.

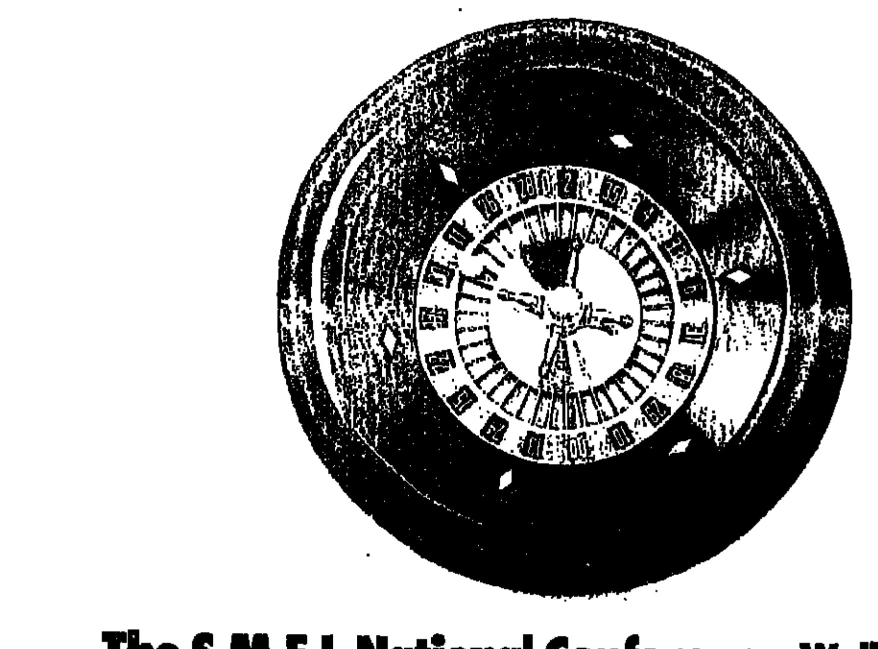
Communication strategy, both in planning and implementation, is the subject of seminar three and there to deal with the message and the medium are Ogilvy & Mather's Australian chairman, Renny Cunick, and Colenso Communications' media director, Graeme Hunter.

The winding-up seminar is concerned with the wholesale and retail riddle. In the chair is L D Nathan's variety stores director, Ralph Parsons, followed by a marketing mix panel of the conference speakers.

SMEI claims that this is the most significant conference it has yet run. The indications are that it could well be right.

— Grev Wiggs

What would your shareholders say if you spent your marketing budget at the casino?



The S.M.E.I. National Conference, Wellington, 9 and 10 October, will make marketing less of a gamble.

Is your day in the marketing department more like a losing night at the casino. Marketing has been described as a "wheel". The spokes are the elements of the marketing mix. All spokes must work correctly for the "wheel" to roll successfully. But, is the marketing wheel more like a roulette wheel? Experience shows that for most companies it is. If 70% of new product launches fail, then marketing is not an applied business science — it remains a massive gamble in which the odds are stacked heavily against the marketer. The S.M.E.I. National Conference will stack the odds in your favour.

Key national and international speakers such as Dr Jack Dauner, Fayetteville University, North Carolina, Professor Mueller-Heumann, University of Otago, Renny Cunhack, Chairman Ogilvy and Mather Australia, and Steve Bridges, Massey University, will make you reassess your use (or abuse) of the marketing function, and help you use it more effectively in a rapidly changing market place. Others speakers include, Richard Brookes, Ken Fink-Jensen, Bruce Perrott, Graeme Hunter and Ralph Parsons.

We'll cover every aspect of the marketing mix; the use of the market function and its likely developments; do-it-yourself research and formal research; building then selling your marketing plan to management and staff; positioning your product and planning a communication strategy; cost-efficient media strategies and how to best use the various media; and finally, the end of the chain, getting it right in the retail and wholesale area. Please detach and post the coupon for full conference programme.

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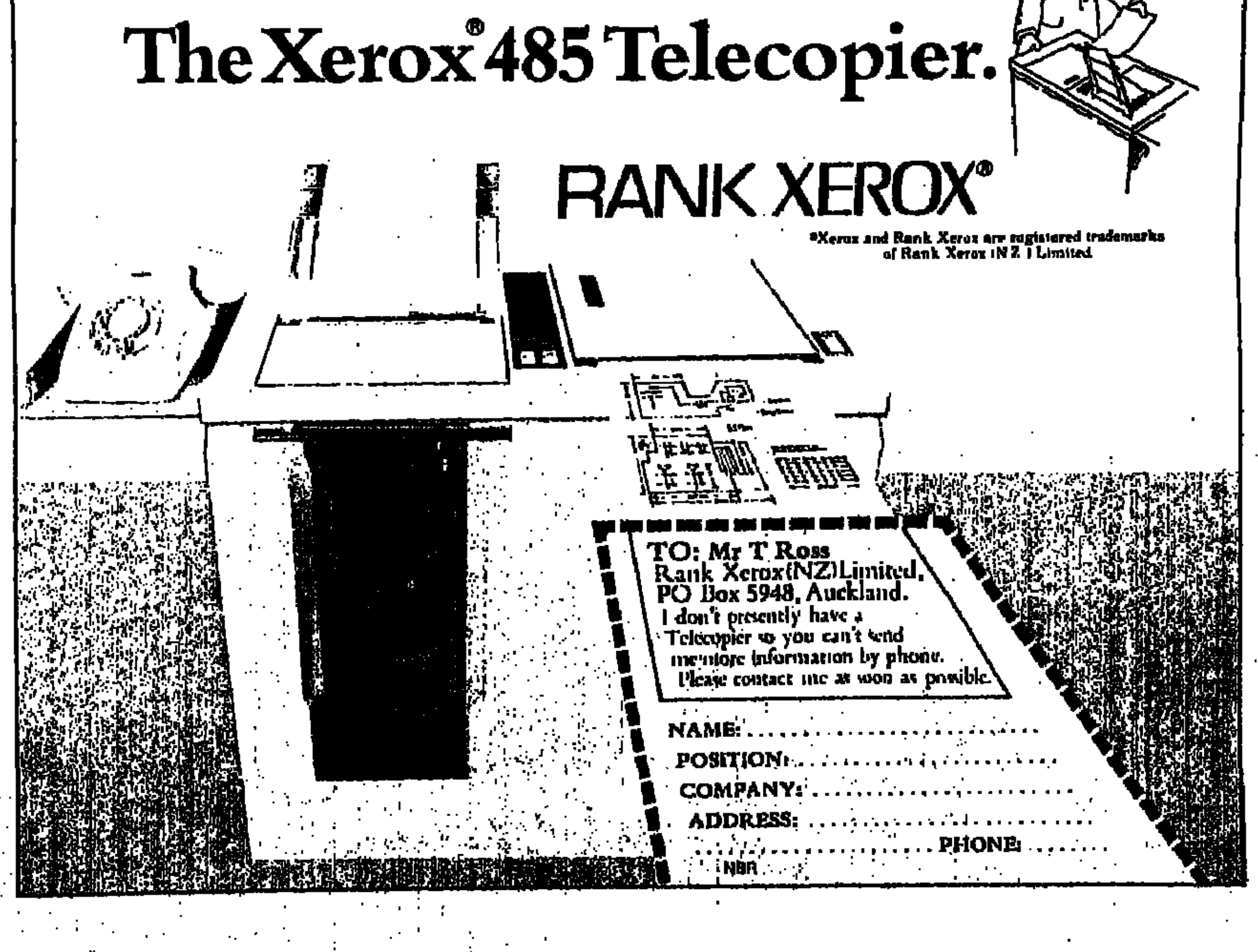


Government administration

Foreign Affairs — a sinking ship of state?

SOMETHING seems to have gone seriously wrong in the Ministry of Foreign Affairs. Although the diplomats are keeping up a brave front to outsiders, morale within the Wellington headquarters and at posts overseas is low.

Foreign Affairs has for long been regarded in the capital as an elite department. Its ranks include the most gifted and able officers in government service. With the possible exception of the DSIR, Foreign Affairs has more, and more highly qualified, graduates than any other Government agency.

Entry is highly competitive. A good honours degree is a prerequisite, and it helps to be recommended by someone in the "club" to gain admission to the diplomatic ranks.

The ministry uses unofficial "spotters" in the universities to help in its selection. Each year about 250 young hopefuls apply, but only about a half dozen of these are finally accepted into the Ministry as diplomatic trainees.

There is no provision for entry higher up the scale and vacancies — unlike in the public service at large — are not advertised.

But the diplomats are quitting, and in sufficient numbers to cause alarm. What should give the ministry — and the Government — special concern is that the defections now include several senior officers, men of ambassador rank whose talents will be sorely missed and whose experience, gained from numerous postings and assignments here and overseas, will be impossible to replace in the short term.

For some years the ministry has suffered losses from among its middle-ranking officers. By and large, these losses can be attributed to the curious conditions of service imposed on young diplomats and to highly unsatisfactory working conditions in the Wellington head office.

During their "probation" new entrants, however impressive their qualifications, spend a lot of time on menial work — running messages, filing, xeroxing, and generally shuffling paper.

They are encouraged to dictate drafts for senior officers — but find it impossible to reach a stenographer (and the ministry's stenos are said to be the best in government) because each girl works for 10 or more officers. Overtime is expected to be worked — but is not paid.

Frequently these officers are housed five or more to a room, in accommodation more cramped than in most other departments. There are no tea rooms or canteen. They are encouraged to put up with this by the carrot of an overseas posting (or, more precisely, the implied threat that there will be no posting if they complain).

On posting, however, it all changes. Invariably the diplomat overseas has his own office. Often — depending on the location — his own secretary. Life on the first posting may be financially difficult, especially for the married, but if he survives that and the rigours of the social round the rewards are there.

But the good life dissolves on his return to Wellington. It's back to room-sharing and waiting in the queue to the stenographer's desk. And no overseas allowances either.

In the past, most of those who have quit have done so at that point, as the realisation that their contemporaries elsewhere are enjoying the benefits of the corporate world of big business has sunk in.

Some go, belatedly, into the private sector. Others transfer to other departments where life is easier and promotion quicker for the bright. Some go back to academic life.

Examples abound. Roger Payne jumped several grades to become chief agricultural economist for the Ministry of Agriculture and Fisheries. Simon Carlaw, fresh from the experience of administering the Tokelau Islands, transferred to the State Services Commission and then quickly to be chief controller of maritime policy in the Ministry of Transport. Don Gray found a better use for his chemistry honours degree with Petrocorp. Rodney Insall went to BP.

Indications are that the corporate headhunters have not been slow to recognise a potential goldmine and have snapped up the disaffected. At least five officers have taken up lucrative and prestigious positions in North America and Europe.

In mid-1979, the outflow suddenly turned into a flood, however. In about six months, Foreign Affairs lost a dozen middle-ranked officers. (Most did not show up in the statistics, and the information was concealed from staff overseas, because the majority of those departing covered their bets by taking leave without pay for a while.)

Many officers blame the ministry's administration. It has been traditional for all the top jobs — including head of administration — to be filled by diplomats, often in Wellington for short spells between overseas postings. Continuity was never a strong point.

The "Plimmer Committee", which inquired into the overseas service at the Government's behest, recognised these shortcomings too. One of its recommendations was that the ministry have a professional (and non-postable) director of administration.

The Government adopted that recommendation, but the diplomats adroitly outmanoeuvred them and maintained the status quo by establishing a parallel division — headed by a diplomat, of course — to continue as before, while the newly-appointed outsider was left with lesser chores.

Many thought there would be an improvement when Merwyn Norrish returned from the Washington embassy to take over as permanent head. The popular and quietly effective Norrish has made efforts, to improve internal communications, for instance.

But the ranks of the disenchanted have swelled and now include some of his senior subordinates. No fewer than eight have moved out in recent years, leading to a situation where former diplomats control several other Government agencies, while the Foreign Affairs Ministry's top echelons have been seriously depleted.

Who are these people, and where have they gone? Gerald Hensley heads the Prime Minister's Department; Patrick Millen runs the Cabinet Office; Denis McLean is Secretary of Defence; Dick Atkins is Director of the External Intelligence Bureau; Neil Plimmer is General Manager of Tourist and Publicity; Ken Piddington is Commissioner for the Environment; Graeme Ansell is Director of the Planning Council; and Don Hunn, who has followed Neil Plimmer at the Canberra high commission, has returned to join the State Services Commission.

The latest, most crushing blow for the loyalists, however, has just fallen with the revelation that one of the ministry's brightest stars, Brian Lynch, recently returned from deputy high commissioner (effectively in charge) of the London mission to run the ministry's administration in Wellington, is himself leaving to become Deputy Secretary for Transport.

So what's causing these defections? Why do men seek prestige ambassadorial posts choose to forego them and remain in Wellington?

The Government's policies are one obvious explanation. It can be pretty soul-destroying having to explain away the ... ly Muldoonisms to your host government, especially if you are accredited to a third world country. (And remember the jibe at "that peanut farmer from Georgia"?) New Zealand now finds itself seriously out-of-favour in the Commonwealth, and almost a pariah at the UN. The Prime Minister has made no secret of his disdain for the ministry and has repeatedly ignored or rejected its advice.

The physical isolation of the ministry at the far end of The Terrace is merely an outward indication of its fall from grace. It's all a far cry from the days — which many of the older ... can recall — when Norman Kirk and his predecessors would stop by in their rooms in Parliament Buildings for a chat.

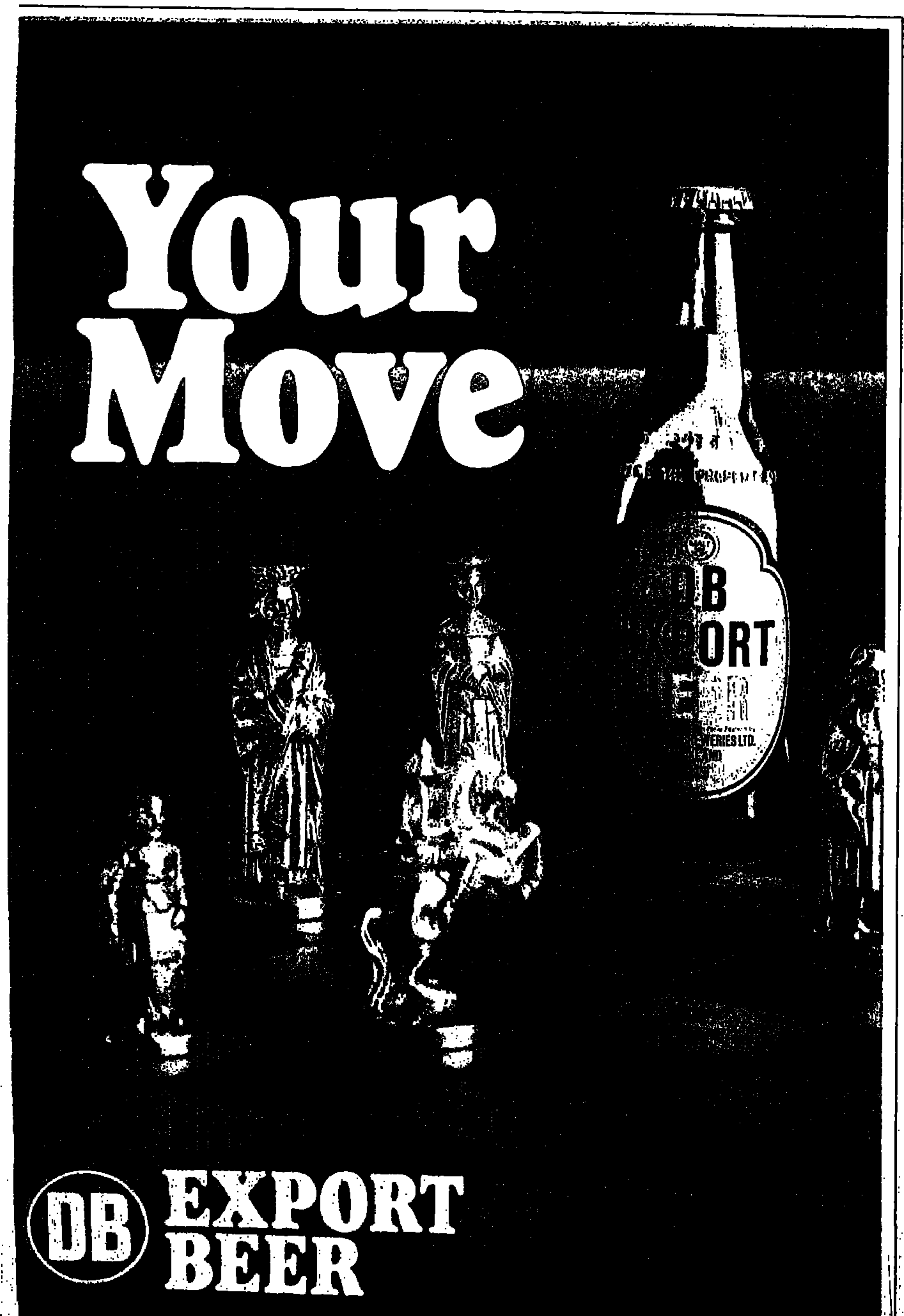
The creeping devaluation of the New Zealand dollar has not helped a ministry which must pay most of its bills overseas. The Government has flatly refused to increase Foreign Affairs allocations, insisting that the ministry find the funds required from within its budget. One result is that New Zealand may not be able to meet its international financial obligations.

The Government has also declined to redress shrinking overseas allowances, already cut in many instances because of the brief given to the "Plimmer Committee". Other measures have smacked of mean and petty thinking — and have been bitterly resented.

Establishment grants, traditionally used by officers on first posting to acquire the accoutrements (crockery, cutlery, glassware, etc) necessary to entertain the Government's guests, have been abolished. In their place, the Treasury now offers to lend the money to officers at standard rates. Perks like the facility to bring back cars, have disappeared.

Small wonder that more and more officers don't want to serve in overseas posts, particularly in the less comfortable or stimulating countries. And among those who have lived overseas there is a marked reluctance to go again.

But for those who choose to stick it out, life can't be all thankless toil. At its last meeting the Foreign Service Association (the diplomats' trade union) invited an investment analyst to address the members on "what to do with your surplus funds"!

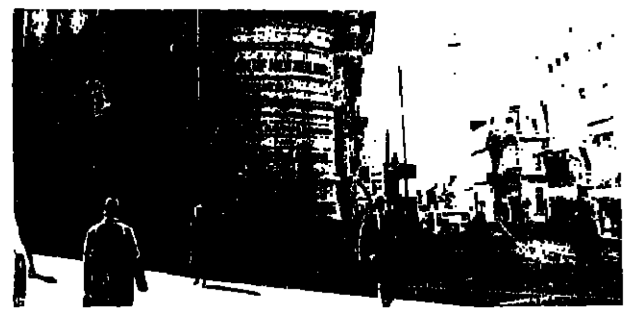


Special feature

Socred's case against the banking system

Last week, in the first of this three-part series, we saw that the basic proposal of the New Zealand Socreds to set up a New Zealand Credit Authority is founded on the Douglas theory that a "gap" being the people's "credit" exists between purchasing power and prices, and that the use of this "credit" will be returned to the people from the present banking system by a Social Credit government, using their Credit Authority to do so.

This week W E Christie shows that the banking system is positively the target of Socred attention, then moves on to examine the validity of the Douglas — and thus the New Zealand Socred — theory.



"NOW this is the citadel of the fortress we are attacking, for power to make decisions is freedom for the individual, and a shareholder in a trust-capitalistic manufacturing enterprise has no power to change the fundamental policy of the concern, which is to pay its way, as a means to the end of maintaining and increasing its financial credit with the banks." — Page 6, *Credit — Power And Democracy*, C H Douglas, 1921.

"Trade is thus almost entirely carried on with borrowed money or credit although the fact may be hidden at various points. The goods we buy are produced on borrowed money; the money we buy them with goes to extinguish the debt; but it itself is derived from credits that have been borrowed from the banks . . ." — Page 24, *Credit — Power And Democracy*.

"That the nation (people and government) and not the private banking monopoly shall be the sole source of authority for the creation of money." — Page 1 *What is Social Credit?*, Garry Clunie (NZ), 1963.

"The banks, in actually creating money and lending it, have succeeded in building a gigantic pyramid of debt, which is reaching astronomical figures, on which interest must be paid annually in perpetuity. Yet again, as with paper currency, we have allowed private companies, with the government's sanction, to provide us with a money supply when the right to produce it undoubtedly belongs to the nation." — Page 4, *Nemesis — The Money Myth Exploded*, written for the New Zealand Social Credit Political League by Jim Nowell and edited by George Bryant, MN, Dip Ed, 1978.

"Every time the bank creates an overdraft it actually creates a deposit in someone's account, and this is the main way in which the money supply is expanded." — Bruce Beetham, Social Credit leader, Radio Pacific, March 8 1981.

"We will restore to the people the ownership of their own credit, so that they will be the ultimate and major beneficiaries of its use . . . the New Zealand Credit Authority will be the only institution which has the power to create, issue and cancel New Zealand money. The New Zealand Credit Authority will accept authority from and be answerable to the parliament of New Zealand." — Page 26, *Social Credit 1978 Election Manifesto*.

Well then. It is the "gap" or the B part of the equation, or the people's credit, which will provide the bonanza which underpins Socred promises, and which will be restored to the people through Socred's credit authority.

But, what was the "gap" in reality?

By an astonishing paradox, Major Douglas tells us the correct answer himself: "Group B — All payments made to other organisations (raw materials, bank charges, and other external costs) . . ." — Page 21, *Credit — Power And Democracy*.

Major Douglas failed to perceive at this point in his thinking that it was a completely adequate explanation of the B factor to assign it as the costs of raw materials and other overheads, and that there was no need for an obscure explanation to be contrived from the functioning of the currency and credit systems. Yet, failed he did.

"It will be necessary . . . to show that this additional purchasing-power is provided by loan-credit (bank overdrafts) or export credit." — Page 22, *Credit — Power And Democracy*.

It is important to understand the reason why Major Douglas persisted with his fallacy, why it did not dawn on him that he was reasoning from a false premise.

The false premise is clearly stated in his writings from the beginning, in that he looked at the production-consumption and costing cycles within an arbitrary time slot, when there is no justification for so doing.

"The amount of purchasing power or wages or salaries that week was not sufficient to buy the products at their price that week." — *The Citizen*, April 25 1923, from an address by Major Douglas to the Canadian Club.

Major Douglas seems at no time to have noticed the pitfall, that it is entirely illogical to slice a time sector out of a production-consumption process, and expect the financial books to balance within that time sector.

For example, the cost of the timber has to be included in the price of an apple box whether the timber was delivered a month ago, last week or today, whether it was paid for last week, this week, or is not paid for yet, and whether the box is pre-sold, is going into store or is down for sale next week for sure.

It is a simple historical fact that Major Douglas did not recognise the fallacy of his theorem, and that he compounded error and theory into an extraordinary network of ideas, as the following quotation confirms:

"In his efforts to understand the historical processes Douglas gradually evolved a colourful doctrine that national and international events can only be understood in terms of the plotting of a select group of bankers. He saw the group as the nucleus of a long-enduring conspiracy to dominate the world, working through the Masonic order as well as through both international capitalism and international communism." — Pages 252-253 (Book 9), *The Encyclopedia Canadiana*, Groliers of Canada.

It is also a simple fact that New Zealand Socreds still swallow the Douglas line, together with hook and sinker. It is the bait that attracts them, the wish to believe in the rainbow with a bucket of gold at the end.

The theory is wrong; there is no bucket of gold or "social credit" to be materialised with the sweep of the legislative pen. Yet, we have it from them in unequivocal clarity:

"We will restore to the people the ownership of their own credit, so that they will be the ultimate and major beneficiaries of its use." — Page 26, *Social Credit 1978 Election Manifesto*.

Unmistakably, New Zealand Socreds are Douglas Crediters. As we have already seen, they even quote his most crucial teaching in their revised 1981 booklet, *What Is Social Credit*.

"It is not too much to say that there is no single cause operating in the world today which is of such primary importance and is so fraught with the possibility of world disaster as is the disparity between purchasing power and prices." — Major C H Douglas.

Socreds are coy about admitting to faith in the A + B theorem. In a discussion on Radio Pacific on March 8, Beetham was quick to overspeak Gordon Dryden, like thus:

Beetham: The question of a deficiency of income in the community is a separate question . . . a separate issue and needs to be handled by a different set of financial policies.

Dryden: This is the A + B theo . . .

Beetham: The question of a, . . . the question of whether or not there is a gap between total incomes and total prices which needs adjustment.

The *New Zealand Herald* invited the Prime Minister and the Leader of the Opposition to each submit three questions they would like to ask Beetham. On March 28 the newspaper published Beetham's answers. Muldoon's first question was right on target, and is the only one we need here be concerned with:

Muldoon: Does Social Credit today officially subscribe to the Major Douglas A plus B theorem . . .?

Beetham: ". . . the A plus B theorem has never been incorporated in either the league's constitution or in its policy manifestos. However, the Social Credit League accepts the validity of the scientific, factual methods of analysis which Douglas used . . . The A plus B theorem was designed to demonstrate that there is a gap between total incomes and the value of current production . . . the conclusion he arrived at is correct.

The obvious conclusion is that the Socreds pin their faith on the A + B theorem, whether or not they publish the fact in their manifesto. The measures they propose taking if elected to government, all published in the manifesto, reveal their faith in the A + B theorem, just as clearly as a high altitude vapour trail reveals the presence of an otherwise invisible aircraft.

Next Week: Socred's secondary fallacy and the probable results if the Socreds are elected to govern.

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Sport

Running for fun: much more like macho masochism

Brian Turner gives a personal view of sport in this occ... column

I AM a runner of no mean inconsequence. I bust my gut — as the saying goes — and turn in the most mediocre performances. But I like it. I like the exhaustion and the pain. And feeling so good afterwards when the pain has subsided, when the heart stops thumping like a wooden mallet striking an anvil, and the sweat no longer trickles in the crevices of one's body.

I began competing in road races and cross-country events about six years ago. Certain friends and arch conspirators talked me into it, enticed me to join them on lunch-hour runs.

Most of these guys were already competitive athletes and their jogging pace proved to be racing speed for me. So for the best part of a year I returned to work looking and feeling like a wrung-out sack.

Three cups of tea and two filled rolls later I felt well enough to get on with my work.

If this was good for me why was it hurting so much? If it was really fun why did it leave me shattered and humiliated? Why was I so perverse and stubborn as to carry on? Surely anyone with a smidgeon of common sense would realise that he (ie, me) was not cut out to be an athlete.

Of course I knew better than anyone else that I was not dealing with a person who had much common sense. The subject of this flagellation *was* perverse, stubborn, obsessive — and proud.

And my laconic friend J D used psychology on me . . . he said I had *potential*.

Each day was a riveting encounter with myself. Whadarya? I heard the insistent cry. Who are you?

I said to myself, and I say to others, try running and you will find out.

The truth was I looked forward to each run and cherished the dream of one day beating Ernie Smith or Pat Meffan to the top of Lovelock Avenue. (Pat says I have to "learn how to read bodies" and know when to put the pressure on others when they are "off the boil".)

It hasn't happened yet. But one day, who knows?

The guys I run with are a self-styled group called, for lunch-time purposes, the Brown Hounds, a name charged with a certain degree of irony for those of us that live in Dunedin. The members come in all shapes and sizes and range in age from 20 to 45.

We have doctors, medical students, a fashion fabric buyer, the manager of a stationery department, an optometrist, a plumber, a builder, a lawyer, two accountants and so on.

This week in the days after the annual Otago Peninsula relay, I learned many vital things. For example, Pat felt better than at any time in the last four weeks; Pete thought that he could have "taken at least 50 seconds out of that smart little bastard" so-and-so if they had started together on the sixth leg; due to a cock-up Murray Fleming had to run two legs in succession and was foaming at the mouth when he handed over the baton; Al Johnson blew up on the hill in Lap 2; "Jesus you (meaning me) looked absolutely stuffed when you went past the Penzance kennels at the top of the hill" and my son was afraid to cheer me on because he said he'd "never seen Dad look so worried before".

The front runners . . . what am I trying to keep up?

One learns all manner of daft things from participating in daft activity. Mike Buist told me he was "wrapped" by his run on the downhill leg and that Dave "gave up when I passed him. You'll have to do something about him. Drop him, he's got no guts."

I have to admit that these post-event accounts are an important part of the whole ritual. They are an essential component of the ribald romance of running.

And they signal the fact that the before-the-event tension has been dissipated and there can only be a next time.

I find it hard to relax beforehand. Nearly everyone I know suffers pre-race tension. Those who don't are unlikely to run well.

On the eve of the Peninsula relay I was feeling particularly apprehensive and a bit unwilling to run the first leg for our No. 3 team. The first is an important leg and it's quite hard, just under three miles, the last third of which is steeply uphill. I said to one of the club selectors, "I'm too old to be sacrificed in this way. Make someone younger run the first leg."

"You'll be all right. Guts'll do it."

I laughed. Fitness would do it better.

I didn't go to the pub on the Friday night, didn't get up until 9 am on Saturday, had only a light breakfast and refused to cut any firewood all morning.

Tanya paraded her new blue Pumas and thought of whom she might be able to beat if she plucked up the courage to join a club and actually compete. I think she secretly wishes she could beat me but, at 14 that is still just a little too much to expect.

Andre, who is nearly nine, pestered me that day with pleas that he be allowed to run my leg with me, convinced that this would be a mere formality. He dreams, bless his young mind, and I could not easily dissuade him. His constant prattle drove me crazy.

I drank a cup of tea, got changed and looked for my road shoes. Which pair? The Lasers or the Adidas? I got out the scales and weighed them. Two ounces difference. The Adidas pair got the nod.

Barbara had been watching me for hours, saying little, a wry smile on her face, convinced that I was off my head. She often says, "I don't know why you guys bother, I really don't."

We drove to the start, I went over to get my number. My friend A J said, "You've been promoted to the No. 2 team. Someone's pulled out. You'll have to run the third leg."

"Oh, no," I said, "but that's worse than the first leg. It's longer and hillier."

"You'll be all right," A J said, "you've got the guts."

I shook my head, went over and sat against a wall, let the feeble winter sun play on my face. Every man must do his duty and I would do mine.

We drove up the hill to the start of the third leg. I was nervous and too pre-occupied to take in the magnificent view of the Otago Harbour and surrounding hills.

I got out and jogged up and down with other anxious twits near the change-over point. Many teams, too many teams, had already gone through.

Andre kept clutching my sleeve. "Can I run with you, Dad, can I?" he implored.

"Andre, please get back in the car, son."

I put some vaseline ... eyes, gave him my ... climbed a bank and ... quick pee behind a macrocarpa, and then ... back down to the road.

A clubmate yelled "Hurry up, Dennis ... around the corner. He's here."

I jumped up and ... ignored the other w... ners.

I saw Dennis's ... sweat-streaked face ... up to me. His legs ... buckle. He passed ... baton.

I grabbed it and ... bloody hell.

Tourism

Singapore business magnates glance our way

by Gordon McLauchlan

NEW Zealand Government agencies and some companies involved in such industries as tourism, fishing and forestry have been avariciously eyeing huge Singapore Government reserves amounting to more than $NZ12 billion.

The Government of Singapore Investment Corporation was set up a few months ago to advise on the offshore investment of the reserves at present held in either gold or United States dollars. Singapore is one of the few countries in the world which can match its currency with gold reserves.

But observers close to the Singapore business scene say the staff hired so far and job prescriptions for those being sought strongly indicate that the major share of the money will be put into real estate and equity investment in the United States with some also going into real estate in Europe.

The Development Finance Corporation has been trying to act as a catalyst to bring Singapore capital and New Zealand enterprise together and some private investment has already been attracted. But not much of the public money will come down this way, according to independent sources in Singapore.

The same sources say they are watching with interest the movement by private investors into tourism in the South Pacific. While, they say, no pattern has started to show up yet, the investments so far can only be encouraging for the capital-hungry industry in New Zealand.

The most direct recent investment of Singapore money into New Zealand tourism came with the purchase by Somerville Properties Ltd of Auckland's Intercontinental Hotel and 22.65 per cent of the national chain, Vacation Hotels.

Vacation has had a sweeping change of ownership with Alex Harvey Industries acquiring the 51 per cent previously held by the Fletcher Group.

Somerville Properties Ltd's principal, Ho Whye Chung, told *NBR* in Singapore recently that no decisions had been taken yet on what kind of promotion would be developed overseas to attract tourists to New Zealand in general and the Vacation chain in particular.

When the deal was completed he would be "sitting down with other interested parties" to discuss promotional activities.

Ho's operations are backed by one of the four major Singapore banks — the United Overseas Bank. He is regarded as an entrepreneur who is a pioneer in the New Zealand tourism business. He sees his investment as long-term.

The other major Singapore involvement comes from Khoo Teck Puat, who has bought the Sydney-based Travelodge chain from the Southern Pacific Hotel Corporation in which the major investor was Saudi Arabian Adnan Khashoggi.

But Khoo has bought Travelodge in Australia outright for a reported $NZ125 million. This gives him hotels throughout the Pacific Islands and one-third of Travelodge New Zealand (with Rothmans and the Mt Cook Group also owning one-third each).

Khoo has been told by the Australian Government that if he is to comply with the rules for foreign investment he must take up residence in Australia or divest himself of 50 per cent of the equity to Australian investors.

Although he has made no official announcement, it is understood that he has set up a suite of offices in Travelodge headquarters in Australia and has bought two properties in Sydney for himself and his family to live in.

Singaporeans confirm that he is the sort of businessman who likes to run his enterprises unfettered.

There seems little doubt that he will take a strong interest in his investment in New Zealand. In a statement to Singapore's *Business Times*, Khoo said he believes that in the years ahead there will be a substantial two-way increase in tourism — from Asia to Australasia and the South Pacific in one direction and from Australasia to South-east Asia, Hong Kong and Japan in the other.

Through his Goodwood Hotel chain in South-east Asia, Khoo said, and the Travelodge Group in Australasia, he will have the unique opportunity to promote such a two-way development.

New Zealand tourism operators can draw some satisfaction from this statement because Khoo is a man whose judgment in matters of property deals is followed almost with awe by Singaporeans.

Last year he sold some prime real estate in Singapore to a Japanese corporation and is now in the process of selling the Hotel Malaysia and Ming Court, and his Fiat franchise (worth around $NZ 6.5 million).

This resulted in despondent speculation throughout business circles in Singapore that Khoo thought property development and growth there had peaked and he was getting out to Australia.

He has since offered public assurances that he does not intend to abandon his business interests in Singapore or the South-east Asian region. And these interests are considerable.

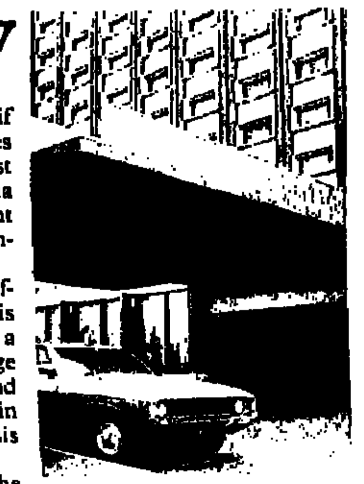
He owns the largest Singapore hotel chain (Goodwood), a lot of land, two publicly listed property companies in Singapore and one in Hong Kong, substantial amounts of stock in blue chip companies (including the third biggest bank in Singapore, the Overseas Chinese Banking Corporation and the National Bank of Brunei, a company called Sime Darby and Malayan Banking.

Khoo is a billionaire, a recluse who never talks to journalists but occasionally issues statements, and he is not regarded with much affection by financial observers in Singapore because of what is termed his ruthlessness.

He was born in Singapore (64 years ago) and was a member of the Malaysian Parliament when Singapore and Malaysia were united as one nation.

Although he continued to live in Singapore, he remains a Malaysian citizen, a choice he made at the time of the break-up of the two countries. He has had difficult relations with the Singapore Stock Exchange.

Businessmen and financial commentators I spoke to in Singapore said there was no doubt that the move into South Pacific tourism by Ho and Khoo had focused the attention of other investors but how much money would follow them was still open to speculation.



The "Big I"...Asian-owned

The first two major investors were regarded as "prospectors", according to one commentator. What they found in the south would affect future investment.

The Hong Kong-based family shipping company, Eastern Prime Line, still owns the double Albert Street, Auckland, site occupied by the old Star Hotel and Kempthorne and Prosser, but there has been no confirmation yet that another Singapore entrepreneur, Sonme Lien, will build a high-rise hotel there.

Certainly he has access to the money for such a project. His father, Lien Ying Chow, is chairman of the Overseas Union Bank. The family owns and operates the famous Singapore Hotel, the Mandarin.

One source says Lien is still planning to go ahead with a hotel in Wellington in association with BP, but has lost interest in Auckland's Albert Street site, has looked at another, but is now pausing to consider whether to proceed in Auckland at all because of the construction of the Sheraton and the investment of Somerville Properties which plans to spend up to $20 million adding 325 rooms to the Intercontinental.

Some Singaporean businessmen told me the rules in Australia and even more stringently in New Zealand kept money out from forestry and fishing interests because of the nature of ethnic Chinese businessmen.

They want to control any enterprise in which they have any sizeable investment. They want all the say regarding their money, including the right to pull out how much and when they like.

One observer said: "It's no accident that the Chinese God of War and God of Business is the same God."

But Ho has said he considers the New Zealand Government's rules not too stringent for those interested in long-term investment in the development of New Zealand.

"People who want full control over putting in and pulling our their capital are mainly aiming at speculation. Every country has its own policy about foreign investment and none of them welcome speculators," he said.

Business in Singapore is like Australian Rules in Melbourne — everyone is either a player or an enthusiastic spectator.

There is no indication that government reserves or private money will be attracted to industrial development in New Zealand, but the fact that two major entrepreneurs have moved into South Pacific tourism seems at this stage a good omen for the industry here.

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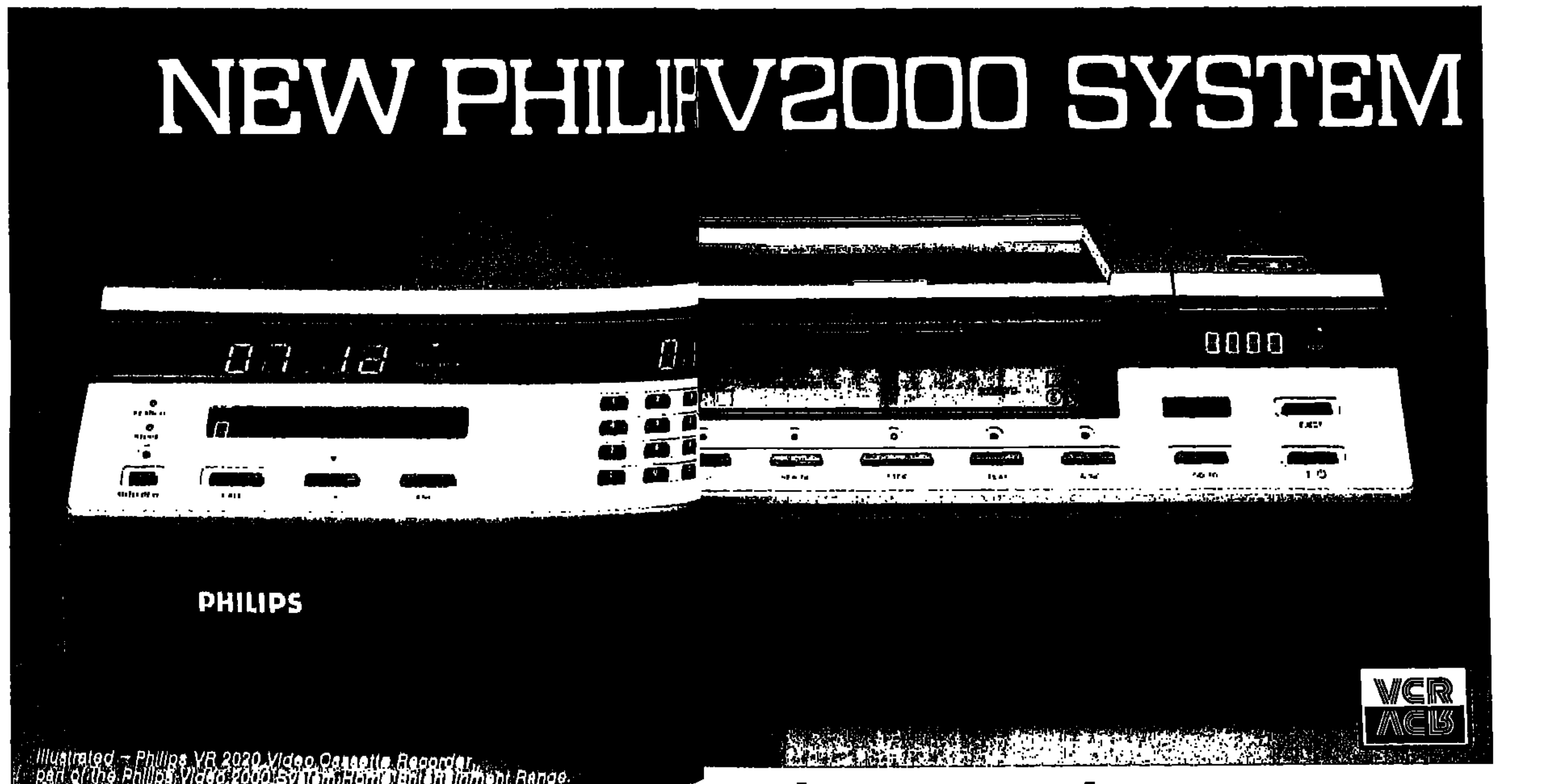

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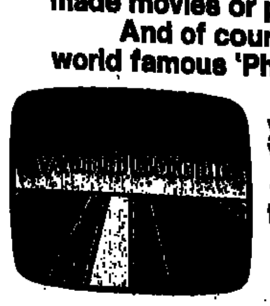

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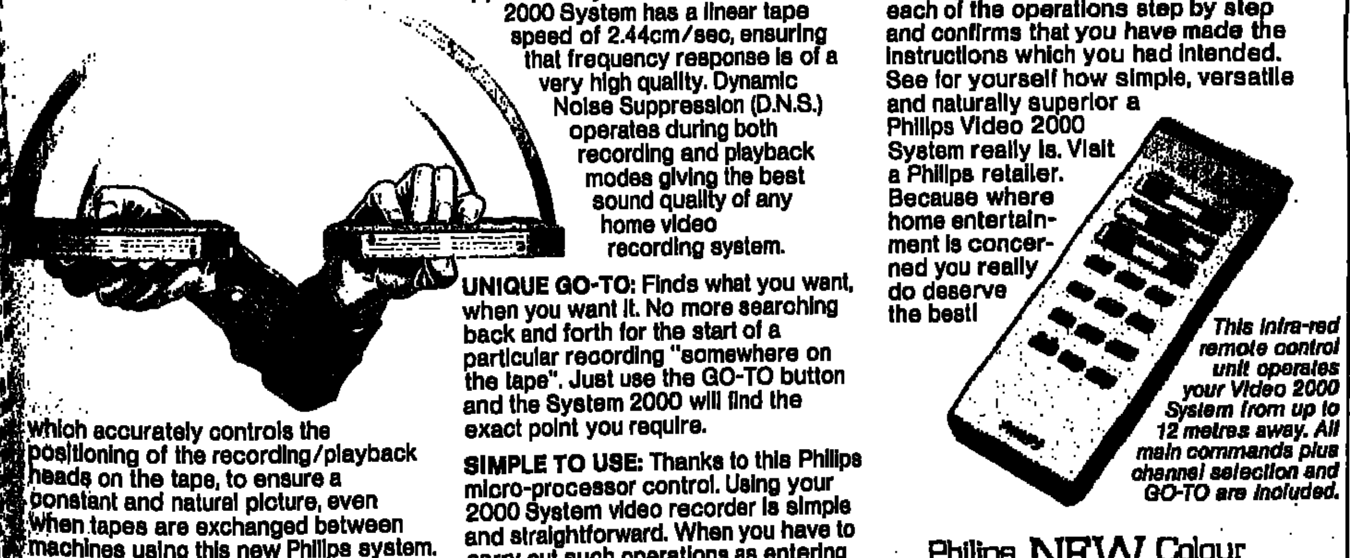

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Management

Pool of 'freelance experts' suggested for projects

by Klaus Sorensen

A POOL of freelance technical and project management experts is seen as the ideal solution to New Zealand's shortage of major projects personnel by Australian management consultant Dr Brian Scott.

His company has already set up a thriving consultancy in Auckland which contracts out its team of specialists.

Scott, chairman and managing director of the Australasian W D Scott management consultancy group, told *NBR* last week he believed this country was facing a "critical" shortage of technical and some executive people for the major projects.

A Scott Group affiliate in Australia, Jon and Associates, opened its New Zealand office less than a year ago to provide draughtsmen, designers and engineers on a contract basis. Already it has 40 people on its books.

Jon and Associates has well over 200 specialists working for it in Australia. They are regularly contracted out to companies like Bechtel Corporation and Comalco to work on major constructions.

"It's now the largest in its field in Australia, and while we saw the need for the same thing here, we have been surprised at how quickly it has built up," Scott said.

Scott said Australians have little idea about the major shift planned for the New Zealand economy with the energy developments.

"Yours is a brightening economic outlook, but Australians don't have much awareness of the major structural changes planned for New Zealand in the 1980s. The image of New Zealand in Australia is predominantly that of an agricultural country," he said.

"In fact the analogy is closer to Australia's situation in 1960 when we first realised the export of minerals would alter in a basic structural way our export opportunities.

"So as news of New Zealand's energy prospects spreads you will be able to attract back a lot of skilled New Zealanders — albeit at a big salary."

In spite of this, "there will undoubtedly be some shortfalls" so Scott Group is already recruiting engineering and energy specialists in the United Kingdom for both Australia and New Zealand.

"It's unfortunate that Australia and New Zealand will have shortages in the same areas and at the same times," Scott said.

So contracting specialists to make them more mobile and available for different projects as they arise is one of the main answers, he argues.

"Contracting is fine for the specialists because they like the idea of developments where they are involved in planning, design and establishment, but they are normally needed only in a rush for six or 12 or 18 months.

"You don't staff to meet a temporary peak of work, and contracting of personnel means they aren't left waiting around when a project is finished — they can move on to the next one."

Scott's father ("he went under the unlikely name of Sir Walter Scott") founded the business and Scott has been with the firm since 1963.

Before joining the family firm he gained an impressive string of degrees from Sydney, Stanford and Harvard universities, and is also the author of a number of publications and lectures on long-range planning and business administration.

But in spite of his credentials, Scott does not see himself as any sort of corporate headhunter.

In fact he has several reservations about the growing trend for headhunters (executive search specialists) to set their sights on a key executive and then lure him off to the opposition with a lucrative offer.

"The degree of competition for the top executive is now becoming a bit of a concern, especially in countries like Australia and New Zealand where there is a fairly thin supply of management in the first place."

Scott says he has been impressed with the growth of the executive search industry (as opposed to the more traditional executive recruitment method practised by his firm).

W D Scott is not in the executive search business mainly because "we find it incompatible to be in executive search in a comparatively small market such as Australia and New Zealand while at the same time providing management consultancy services to companies."

Management consultancy comprises 80 to 85 per cent of Scott Group's business with executive recruitment making up the rest, and, for that reason, "I don't believe we can be advisers to a company, and at the same time try to winkle a top man out of their organisation."

Because of "keener and keener" competition for senior positions, "I would expect those salaries and perks for top jobs to rise more rapidly. Boards are realising the destiny of a company depends so much on the quality of the leadership abilities of the top man and his immediate subordinates.

"An extra $30,000 is a small price to pay for a top man," Scott said.

"But the assessment requirements for senior management positions depend not just on technical qualities but also on leadership and their judgment in relation to external factors, and his ability to establish relationships with government, consumer, union, environmental and technology groups."

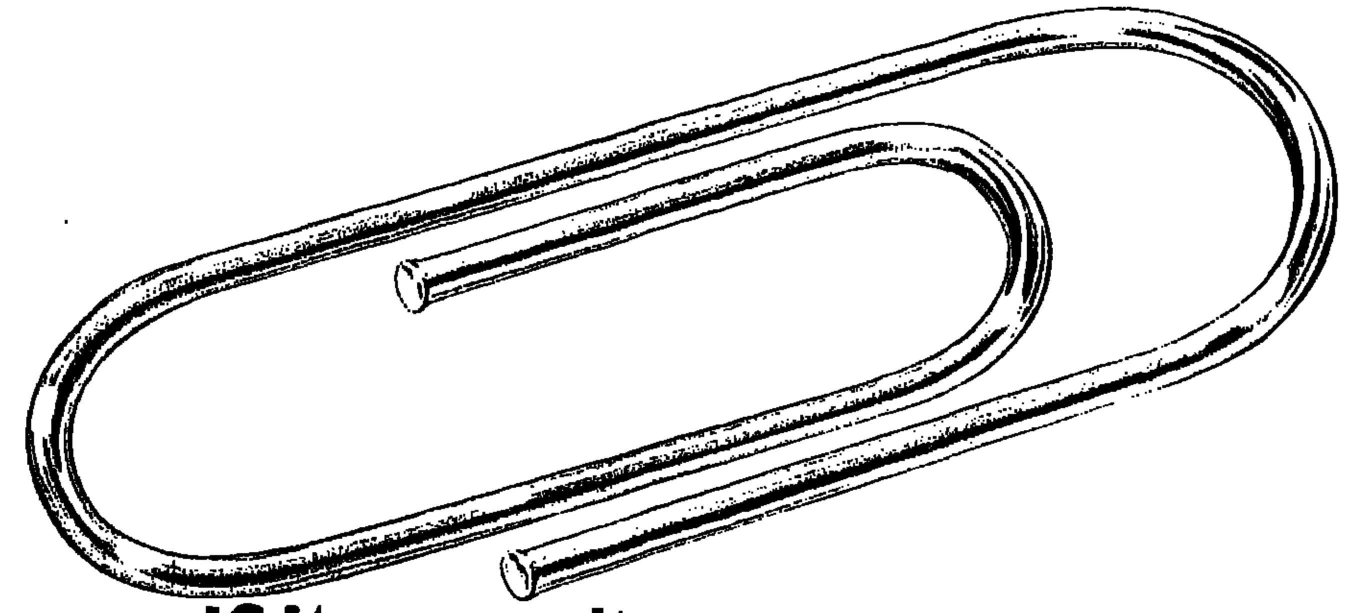
At the same time Scott believes top people need to stay with a company for a while to build up their learning experience, and to establish loyalty, and a degree of continuity.

"If you have a thin market and a man on $60,000 somebody can easily winkle him out of that job with a $90,000 offer.

"If the executive search techniques become too aggressive and too widely applied, the need for continuity and loyalty may be compromised too much," Scott said.

"You need to strike a balance between having dynamic opportunities for people through executive selection, and having them hounded with offers."

But Scott still believes that executive recruitment — and those familiar job advertisements in the newspapers — will continue to be the job hunting mainstay.



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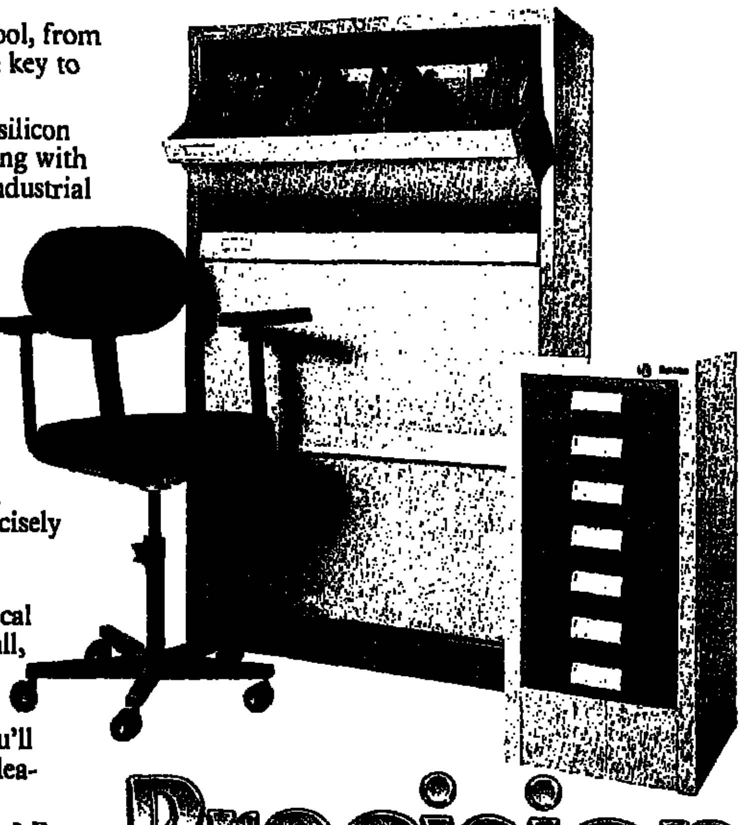

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ELECTION WATCH '81
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Wine

New wine company to specialise in classical wines

by Warren Berryman

WINEMAKER Randy Weaver has joined with others in a special partnership to establish a new $400,000 winery in Huapai.

Called Coopers Creek Vineyards, the company will aim at the top end of the market with quality wines made only from classical grapes.

Coopers Creek is believed to be the first special partnership formed in the wine industry. Combining the limited liability aspects of a company with the tax advantages of a partnership, this special partnership will allow Coopers Creek to pass tax advantages directly on to its investors.

Major partners in Coopers Creek are Weaver and Andrew Hendry. Weaver and Hendry worked together at Penfolds Wines, where the idea of the new winery was born.

Coopers Creek's 13 minority partners hold grape-growing land. Weaver said two thirds of the grapes would be supplied by the partners or come from the eight-acre block near the winery. The remaining grapes would come from contract growers.

Tying in the growers as partners provided an added incentive to supply top-quality grapes, Weaver said.

Coopers Creek has already had a small quantity of wine made for it in another winery.

Next year the company hoped to crush about 200 tonnes of grapes and work up from that level to 300 to 350 tonnes a year, making about 25,000 cases of wine a year.

"Our idea is to run a business with a responsible return for ourselves. We won't get any bigger than that. We don't want a corporate situation," Weaver said.

Weaver, with an American masters degree in viticulture and winemaking, has had two stints working in New Zealand. He worked for Montana Wines under Frank Yukich for two years. Then he returned to California for four years with Paul Masson wineries, and came back to New Zealand to work for Yukich, who by then had left Montana to set up Penfolds. Since leaving Penfolds last year, Weaver has been acting as a wine consultant to several companies.

When Coopers Creek reaches full production capability it will make five whites — Gewurtz-Traminer, Chardonnay, Sauvignon Blanc, Rhine Riesling, a dry white blend, and one red, a claret blended from Cabernet and Merlot grapes.

While Weaver remains a purist, selecting only vinifera grapes, he is not going the whole hog and planting on stony poor soils to produce the sort of wines made by the wine boutiques in the United States.

He agreed that the best wines come from vines struggling to survive in rugged conditions. As he puts it, "a wine can produce only so much flavour. If these vines produce at five tonnes of grapes an acre rather than the one tonne an acre from vines planted on poor soils the flavour will be diluted.

But, he said, no one in New Zealand was interested in investing in this sort of venture.

Weaver said Coopers Creek had already been hit by rumours circulating in the wine industry.

He and Hendry, through a separate company, had been importing Australian grape concentrate (the same product imported by Penfolds some years ago that put Penfolds offside with much of the industry).

For the record, Weaver said, this grape concentrate was not going into wine — as rumour would have it — but into vinegar manufacture.

Weaver said he and his partner were importing the grape concentrate at a far lower cost than they buy New Zealand grapes, making herbal wine vinegar from it, and re-exporting it back to Australia.

Trade prizes

THE American Chamber of Commerce in New Zealand is to award two "Trade America" prizes, valued at $3000 each, to acknowledge export and import accomplishments by New Zealand businesses.

The Air New Zealand Prize for exporting, already-established, is for the company which "can show a significant benefit to New Zealand's economy" last year by processing local resources with American technology for export. The Pan American World Airways prize for importing is for use of imports from the United States which have given benefit to New Zealand.

Criteria for the awards — entries close on September 30 — include innovation, enterprise, practicability, use of United States technology and proven export sales, extent of added value, level of import substitution and job creation.

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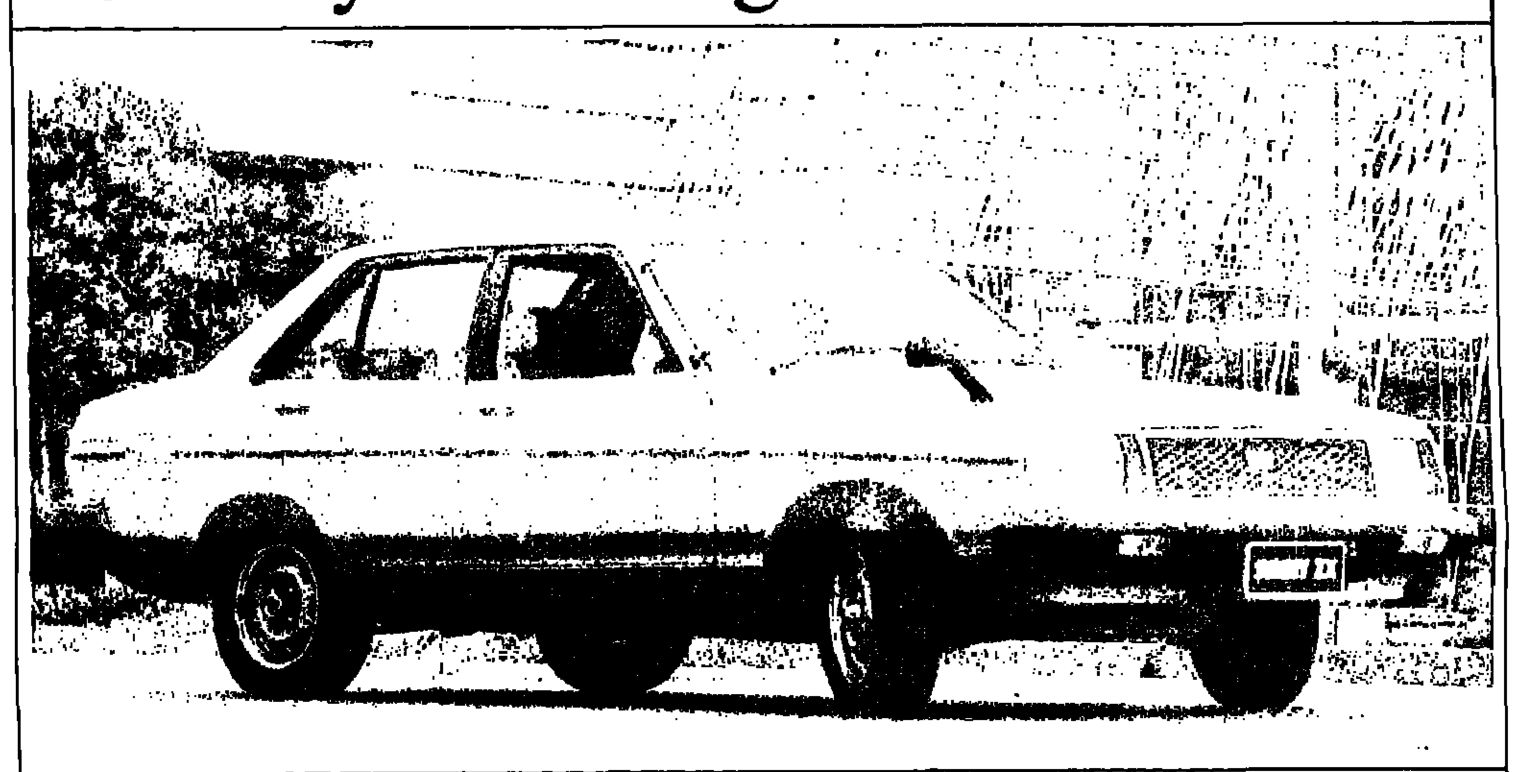

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Music school tangled victim of educational red tape

by **William Hobbs**

AN attempt by a music school in Nelson to get the salary of its principal paid by the Education Department has run into problems of departmental rigidity.

The Nelson School of Music, which is involved in primary, secondary, tertiary and continuing education, has been described as unique in New Zealand — and as a maverick it does not fit cosily into any bureaucratic slot, certainly not into the Education Department's scheme of things.

Founded last century, the School of Music has been developing in new directions in recent years, becoming more involved in the community and providing a range of musical services unparalleled in any provincial centre.

The worth of the work is accepted by the Education Department, which says it would like to help if a way can be found to regularise the position of the institution in departmental terms.

As a stop-gap measure, director-general of education Bill Renwick used his influence to help secure a non-recurring Internal Affairs grant 18 months ago to fund the salary of a fulltime principal until the end of this year.

Previously School of Music principals have been paid only a small salary and have been expected to obtain at least half of their income from teaching music.

This has limited their ability to co-ordinate and develop the school's activities, and the extent to which this is true has been demonstrated in the 18 months since the appointment of Donald Maurice, a viola player, as fulltime principal.

As well as continuing the school's traditional work in individual and group music tuition, Maurice has organised a series of weekly lunch-time concerts in Nelson's council chamber.

There were 18 over the winter months last year, and this year the series has been extended to 30 concerts, emphasising the School of Music's role as a performing as well as a teaching institution.

Other developments have been the establishment of a regional youth orchestra this year, a string quartet, a 20-piece jazz band and the inauguration of a regular jazz clinic.

But while these acitivities have widened the appeal and sympathy for the School of Music in the Nelson community, they have done nothing to secure the school's future.

In recent months the trust board which governs the school has been lobbying hard for some form of permanent funding. And they have been well supported in this by the provincial arts council, local secondary schools, the Nelson Polytechnic and Nelson's MP, Mel Courtney.

All of them have written to Internal Affairs and the Education Department urging the school's case for some government funding.

But, for all the lobbying and the sympathy for the school within the Education Department, no workable solution which would secure the principal's salary has been found so far.

In a reply to one of the supporting letters, the department says it has pursued a number of possibilities relating to the School of Music and is also looking at the possibility of becoming a recognised continuing education agency in terms of the Education Act.

But the department says there is no specific financial assistance it can give from the tertiary division.

On a slightly different tack Education Minister Mr Wellington has told Courtney that while the usefulness of Maurice's work is recognised, the School of Music is not a departmental school and the department is not authorised to allocate salaries for non-departmental establishments.

Wellington suggested that with some re-ordering of his time at the school, Maurice could be freed from some administrative duties and devote saved time to income-earning teaching activities.

But, as primarily a performing musician, this is something Maurice says he will not do, and supporters of the school would regard it as a retrograde step.

One suggestion in the Minister's letter to Courtney which has been taken as a hopeful sign locally refers to the Ritchie report on the needs of music teaching in New Zealand, recently prepared for the Queen Elizabeth II Arts Council.

Wellington notes that some of the recommendations of the report have implications for the School of Music, and he says assistance may be available in due course as a result of this report.

The chairman of the provincial arts council, John Wheeler, also pins his hopes on the Ritchie report. He says the report favours the setting up of music centres which would generate a number of musical activities, and recognises the Nelson School of Music as such a centre.

But whatever hopes there may be in the Ritchie report for the future funding and development of the school, for the time being there is still the problem of finding a bureaucratically acceptable way of securing the principal's salary.

Maurice says he will return to his career as a performer, for which he trained for over many years, unless there is a fairly quick decision on his salary.

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Data security main reason for spreading workload

In the context of "bringing the computer closer to the user" (NBR, August 3), Stephen Bell discussed "distributed processing". The idea of spreading your electronic information processing power around a network has its advantages, but there are obvious, and not so obvious, drawbacks. This week, he looks at two very different local distributed processing systems; a Government department only just venturing into distributed processing after running a centralised batch system; and a private sector organisation already well into networking, but with a history of running small separate machines.

DP people at State Insurance and Borthwicks discuss how to exploit the benefits and avoid the pitfalls of distributed processing, distributed data and distributed administration.

"DATA security" was given as the chief reason for State Insurance's decision to distribute processing on its planned on-line network.

One central mainframe serving the whole country would have made the system very vulnerable, said spokesman Dave Green. "If the central installation went down then the whole country would be out. That's an enormous factor if you're aiming to eliminate paper records."

Central mainframe for the network will be the Government's Cumberland computer centre, and on-line State Insurance work coming in throughout the day would have added greatly to the workload of a machine which already processes work for a large number of departments.

That problem could have been solved by a single large front-end machine, Green acknowledged, but such a solution would not have taken care of the reliability aspect.

The initial State Insurance order covers only the equipment for a "pilot" installation in Palmerston North, to consist of three linked processors with a line into Cumberland. This will support 15 terminals in the Palmerston North office and two at Levin.

Program development for the pilot is expected to extend well into next year, and will allow State Insurance to test out about 80 per cent of the applications eventually planned for its countrywide network.

Once the pilot scheme is operational, at least two months will be needed for evaluation before work can start on setting up the complete network.

Program development and maintenance for State Insurance will be kept rigidly centralised, with the advantage that the application will be virtually uniform at every office.

Some office managers may require extra statistical analysis tools and there are plans to provide these, but the basic system will be inviolate.

There may nevertheless be a need for some outlying data processing experts at the larger branches like Auckland, Green acknowledged.

The shape of the eventual network will depend on feedback from the trial, but seven nodes, five in the North Island and two in the South are "tentatively proposed". Terminals would be placed in State's 27 branch offices and about as many smaller district offices.

This will allow the organisation to do away with most of its paperwork and to centralise what remains. Obviously policy documents will have to be kept for legal purposes, but copies will exist on the network's databases and can be instantly called up on the screen.

The State Insurance system will need to maintain integrity between distributed databases at the various branches and the central database at Cumberland. Keeping consistent information in overlapping databases has been cited as one of the biggest difficulties attendant on the distributed processing architecture.

State's local nodes will maintain their own databases from minute to minute and also record all the transactions which change that data. At the *end of the day, copies of the* transactions will be sent down the line to Cumberland to update the main database.

Cumberland uses IBM's standard database management software, IMS, but Datapoint has naturally evolved its own data management tools. Thus the Datapoint machines will have to translate the transactions into IMS "language" *before sending them to the central machine.*

The selection of Datapoint equipment provides an efficient approach to the problem of changing workloads. The nodes will each consist of more than one linked machine, with the specialised functions for which Datapoint has designed its Attached Resource Computing (ARC) hardware.

One machine might handle storage, for example, another the main processing load and a third the interface to the terminals.

A requirement for more storage or more terminal support or processing power could be met simply by adding more machines to the node.

The database organisation of the new system means the company can now be "client-oriented" rather than "policy oriented," said Green. The *system can give a complete picture* of all the policies held by one client, and, more important, can send out one notice in respect of all policies — a saving on postage and the client's temper.

The most significant effect will be to speed up turnaround, so the company knows its up-to-date cash position and the client is not billed for payments already made.

A printer terminal will be necessary in most offices to allow the client to take away visible evidence of a transaction or inquiry.

Initial work to be put on the system will be that generating the largest returns — domestic and motor vehicle insurance. Recording of new policies, changes in the terms of a policy, inquiries and processing of claims will all be handled through the screens.

A *client whose policy* is stored in Auckland and who has an accident in Christchurch will be able to deal directly with the Christchurch office. Staff there will be able to call up all necessary information from Auckland, by way of the central machine in Wellington.

Datapoint pips IBM for future State contracts

by **Stephen Bell**

IN landing the contract for the State Insurance "pilot" computer system, the American company Datapoint seems to have beaten IBM to a role in any future project using distributed processing on the Government's Cumberland computer centre.

As the Cumberland centre's first move into distributed processing — the use of a network of connected computers — State Insurance had been a "strategic" move with an eye to servicing future users, said Cumberland centre manager Barry Armstrong.

This was one of the reasons evaluation had taken so long and been conducted so carefully, he told *NBR*.

Selection of the supplier involved a trip to look at distributed systems in the United States and Europe, where the technique is much more widely practised.

At least two other users of the Cumberland centre are anxious to set up their own distributed networks, said Armstrong. The trend was certain to continue.

The two companies shortlisted for the State Insurance project were Datapoint — which has had a comparatively low profile in this country — and IBM.

Datapoint's entire concentration for some years has been on distributed processing.

Datapoint's attached resource computing idea (ARC), carries distribution a step further, by dedicating the function of its machines to specialised parts of the task — storage, processing, communications and so on.

IBM has been moving into distributed processing in a big way only comparatively recently, particularly with its 8100 series. The company apparently has big plans for the concept, but it still constitutes only part of its business.

The 8100 is a relatively "fixed box", Armstrong pointed out, whereas the ARC system gives a flexible processing resource for nodes of various sizes. This flexibility and sheer price/performance were the major reasons for the selection.

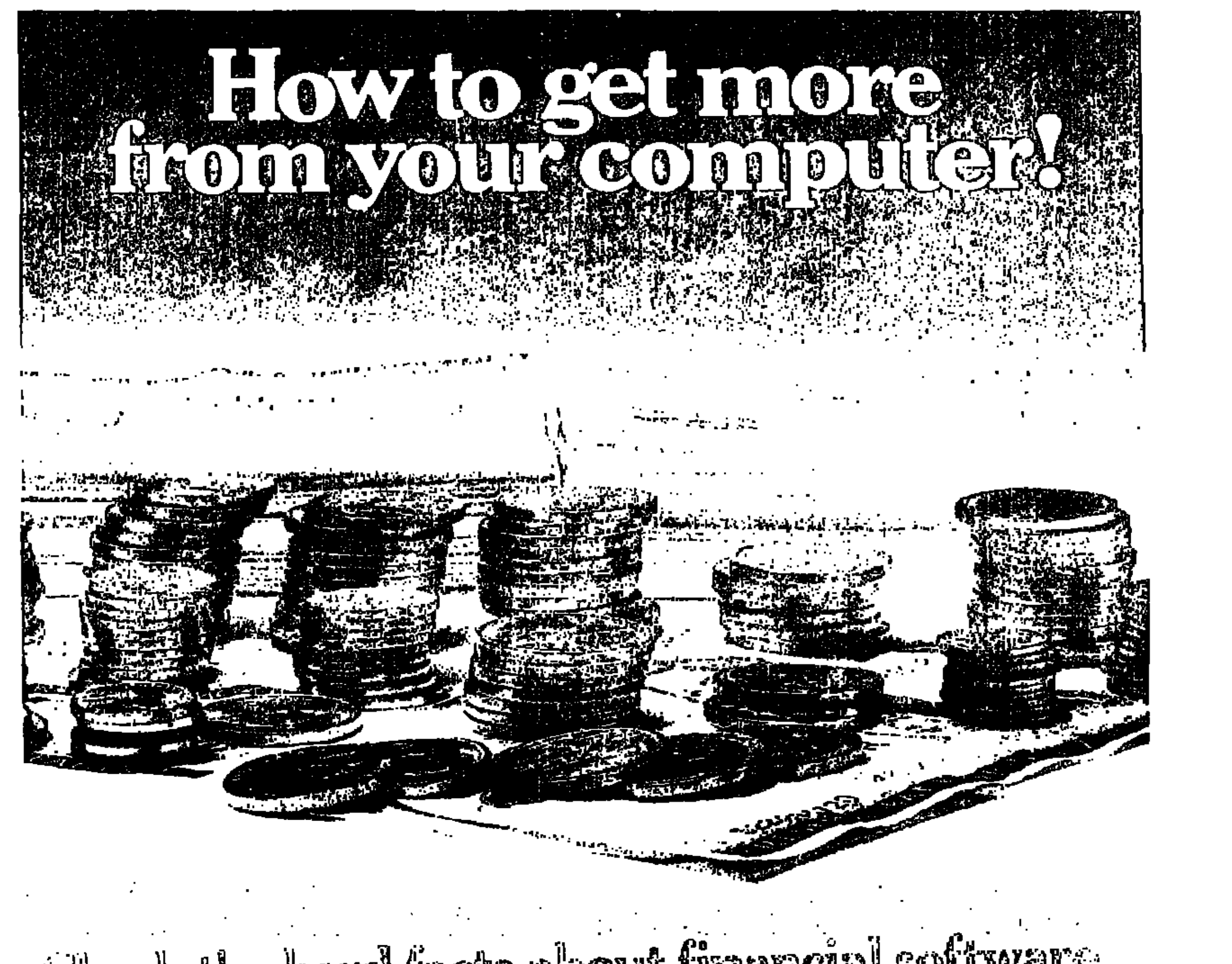
IBM has recently been trying to increase the flexibility of the 8100 range at the top end with a set of dual-processor models, the 8140C family.

Ofis launch

AFTER building up an impressive array of word processing equipment, Burroughs is at last making its big move into office automation. But announcement of its new integrated system, Ofis 1 is so far confined to the United States, and local representatives decline to give any details.

A "big splash" local presentation is apparently planned for some time in the next few weeks.

A big feature of the system is optical character recognition, in the form of a device called the Ofisreader.



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Borthwicks system 'gets it all together'

BORTHWICKS is an unusual example of distributed processing, in that the network has evolved not from a centralised configuration but from a group of separate machines.

The company's Wellington head office and three of its four meatworks around the North Island originally operated stand-alone ICL2903s; the fourth, originally the CWS works at Longburn, used a bureau service.

With the replacement of these machines, Borthwicks decided on a network of linked Prime processors, taking in all five sites; the works at Waingawa, Longburn, Fielding and Waitara, and head office.

Most of the information passes between head office and the works, rather than between one works and another, indicating a "star" as the obvious network layout, but the company decided to link the sites in a ring.

The cost was "not significantly different", said DP manager Mike Goddard, and the ring layout gave extra communications security. With a fault in one line, all machines would still be accessible.

A crucial factor in the economics of the decision to install communications lines was the amount of message traffic already passing between the sites by telex links. Installation of the ring network allowed Borthwicks to dispense with the telexes and simulate them on the computer system.

Potential substitution for telex or even long-distance telephone calls is a factor often neglected by firms contemplating an on-line system. Had it not been for its value as a message-passing system, the economics of ring network may well have proved marginal, said Goddard.

The links had considerably speeded up the transfer of information from works to head office, an urgent need with the "increasing speed of business", said Goddard. "The sooner a senior manager can have the information, the quicker he can take the appropriate action."

At the same time, continued separation of processing power had left each works autonomous in the running of its data processing tasks. "They can decide whether to run A first and then B, or vice versa."

The centralised option was considered during the change planning, but the works were anxious that they should preserve local control. Head office was confident that it could schedule work for all five sites on a central system, but the users at the works were less convinced.

While jobs are run locally, all development work is done at head office. There was no "DP expert" presence maintained in the computer rooms at the works, avoiding the staffing problems of a small installation cited by Herb Grosch as a disadvantage of distribution.

Goddard agreed with Grosch that if a DP staff of one was maintained at an outlying installation the site would be in severe trouble "if he got sick, or just left". Competent DP staff were not exactly thick on the ground in outlying districts.

For this reason, the centralised development philosophy had been in use since the ICL days.

Fortunately, the applications at one freezing works were very much like those at another. *Individual tailoring extended* only to details like report formats, said Goddard.

Guidance was obviously needed in the initial operation of new software, and here again the on-line links showed their strength. A "manual" could be effectively transmitted down the line, giving full operating instructions. In the days of the separate machines someone had to go out from head office and show staff how to operate the system.

The occasional "hiccup" could also be remedied on-line, he said. A head office operator with the appropriate authorisation could get access to the remote machine and operate it just as if sitting at a local terminal.

Debugging of programs is easy for head office, since all source code is kept there.

The changeover has been deliberately planned in two steps, to avoid too much disruption at one time, said Goddard.

"We decided first to change the hardware, then to change the software approach."

Borthwicks has not yet embarked on the second phase and the works are still operating in a pseudo-batch mode, with the users operating the terminals much as they used the ICL direct data entry terminal.

The terminals are still in the computer rooms. People out on the works floor fill in batches of input forms for the terminal operators as they always did under the old system.

The second phase is now beginning, with fuller exploitation of the terminals' interactive capabilities. Within the next few months terminals will begin to spread into the working area.

This will take place initially at head office. "People are already coming down here and getting on the terminals," said Goddard.

First priority for extra terminals at the works would be the stock department — keeping track of the number of animals passing through the works — and the pay office, whose function would obviously benefit from timeliness and the ability to make on-line inquiries.

From the processor workload point of view, the maintenance of separate machines had surprisingly proved a better course than centralisation.

"On a distributed system, you know what you're going to be doing at each site. With a centralised machine, we'd have less control over the mix of jobs coming in," said Goddard.

There were peaks and troughs in the workload on the separate machines, he acknowledged, but they tended to coincide, so there would have been little chance to use the time more effectively with a large machine.

Were there any reservations about having taken the distributed route? Security back-up of files would have been easier with a centralised system, Goddard admitted. Under the distributed regime, copies of works disc files had to be communicated through the network to head office disc and then backed up to tape.

Borthwicks has clearly not had to face some of the critical problems of distributed processing. Control over operations was already effectively distributed, and the problem of distributing different copies of the same data has hardly arisen because of the separate nature of the operations at the few works.

The lessons from the Borthwicks experience are clear: centralise system development and DP expertise if at all possible, feeding out "ready to use" applications to the distributed sites, and take the change slowly, giving users time to get used to the new environment.

ICL pushes school textbook series

ICL is making its own bid for a stake in school computer education — not on the equipment side, but through supplying books and other background aids for courses.

The British hardware manufacturer's schools computer education division has started local promotion of a three-volume series of student texts, each with its accompanying teacher guide and a variety of background material ranging from films and audio tapes to posters.

ICL's first push will be through the Post-Primary Teachers' Association, which has been sent copies of the materials. The company hopes for a favourable review in the association's journal. It has also shown the computer specialists in the Education Department what it has to offer.

The material is aimed at fourth-form level, the prime target for the department's planned "computer awareness" courses.

While the department would be involved in considerable effort and expense in getting together material of its own to support such courses, "these books are already here", ICL spokesman Keith Mitchell pointed out.

But at first sight, the volumes seem only partially useful for a computer awareness course; while containing a lot of material on the capabilities, history and present-day use of computers, they move rapidly into practical programming exercises.

Practical programming is aimed to be a minimal feature of the planned fourth-form course, if, indeed, there is any at all. Our Education Department considers it as more appropriate to the sixth-form-level courses.

The ICL texts were originally issued in 1969 — they have been updated frequently since — and they are now in use by about one-third of the secondary schools in Britain, ICL claims.

Some 30 schools in New Zealand are already using the books as an aid to their own self-generated courses.

Last week, ICL hosted pupils from one of these schools, Onslow College, Wellington. The aim was to give the students a look at some "real" computer equipment in operation.

Onslow teacher Roger Harvey described the ICL texts as "the first books I've picked up (on computing) that I thought kids would be able to read."

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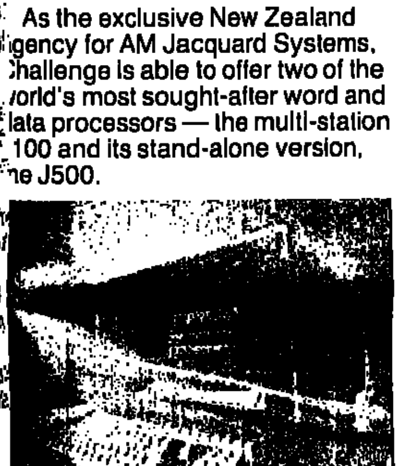

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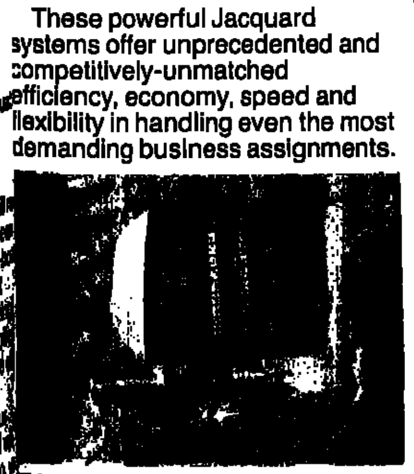

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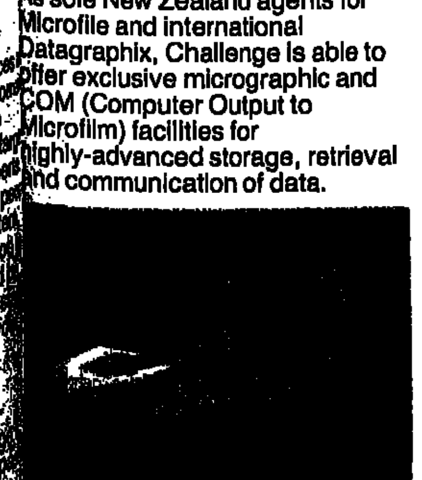

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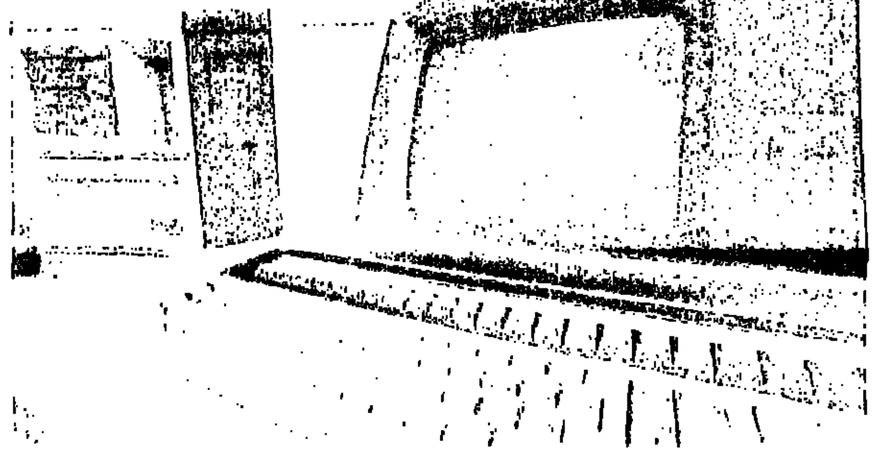

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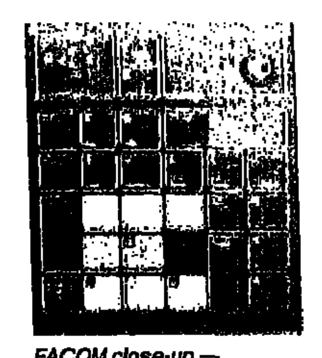

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Consultants assess technology impact on supermarket

by Lindsey Dawson

THE American magazine, *Business Week*, recently predicted that 45 million Americans will lose or change their jobs in the next few years as new technology continues to revolutionise the business world.

That's the sort of prediction that alarms both unionists and employers when they contemplate the future in this country.

It was to avoid industrial trouble — or what retail union advocate Rob Campbell calls "a mixture of hypothesis and hysteria, which is not a good climate for decision making" — which prompted the unions and Foodtown supermarket owners, Progressive Enterprises Ltd, jointly to order a study on the impact of new technology on the supermarket business.

Auckland-based IDAPS Computer Science (NZ) Ltd was commissioned to do the study and professional services manager Simon Hart said its aim was to overcome a "stand-off" situation between union leaders and employers by providing firm information about what was already happening in New Zealand rather than merely speculating about the impact of high technology.

The result, says Campbell, "should provide a sound basis for the negotiation of a model technology agreement based on full consultation and involvement of workers and their union."

"This will be the next step as far as we are concerned," Hart said.

"It is clear that future developments in the area of product coding and scanning will bring industrial problems, but both sides are now much better geared to handle these problems in a calm and rational manner."

One of Campbell's main concerns is the implication for warehouse and distribution workers, when huge warehouses overseas can already be run by just one or two people with a computer and a conveyor system.

The IDAPS report did not touch on this aspect. It concentrated instead on the introduction of POETS (portable entry data units, which are hand-held keyboards which can be used by store staff to order goods from the warehouse as they roam the supermarket aisles) and electronic cash registers. *POETS are used in all Foodtown's 18 supermarkets,* and the registers are on trial in two of them.

The major findings of the two case studies were:

- Employee acceptance was high. There was "a high level of enthusiasm" for the new equipment.
- No jobs have been lost — although staff numbers may reduce through natural attrition, and some staff who leave may not be replaced.
- There was no reduction in working hours in spite of a labour productivity improvement of between 20 and 50 per cent in undertaking a shop order. Other work has been found to absorb the time made available.
- Staff were not consulted on the design of either new work system, and no trade unions were involved in the conceptual stages.

The report says: "The lack of union participation appears to have stemmed from a management attitude that did not see the need for such involvement, together with a relative weakness on the part of the supermarket unions and an ambivalence about their role. Staff interviewed did not express any concern because their union was not represented. Rather, some stated that the unions had no part to play in such matters."

The report says the lack of union consultation "probably had little bearing" on the way the technology was introduced, "but this is not to say that a similar employer approach will be necessarily adequate or appropriate in the future".

- Check-out staff, far from being concerned about being placed under greater surveillance and control, consider that accurate and personal feedback from the electronic cash registers is the best feature of the system.
- Pay was not affected.
- Staff pride, trust and faith in the company is very high. The report speaks of a Japanese-style "threat-free climate" existing within the Foodtown organisation which "augurs well for future change projects".
- Customer reaction was good.

IDAPS suggests that an ideal model for change in the future will have eight main elements — consultation with staff and unions at an early stage; an "added value" strategy towards benefits to be derived from the new technology rather than "cost displacement"; involvement of staff, technology suppliers and consumers in the planning process; development of a "social support system" in addition to economic considerations and technical design; commitment by all parties to the objectives set; positive attitudes by everyone about the need for higher productivity and the benefits to be gained by consumers, employees and the company; and participation by staff in the financial benefits for improved productivity.

The report also deals with the growth of product scanning (the system whereby bar-coded products are scanned with a light-beam at the check-out, replacing operators doing manual pricing) and its implications for New Zealand.

Waari Ward-Holmes, finance director for Progressive Enterprises, which stood the cost of the study, does not foresee the introduction of bar-coding equipment at Foodtown for some years.

The New Zealand Product Code Council announced the introduction of product coding several weeks ago, but manufacturers had a long way to go, said Ward-Holmes.

"New Zealand is getting into a situation where if the manufacturers don't start very soon putting bar coding on to products some export markets might be lost," he said.

Sixty per cent of retail items in Australia are bar-coded, along with 95 per cent in Britain," he said.

He added that because bar coding could produce a mine of management information through the check-out system, New Zealand would probably first see it in smaller stores, rather than in big places. "We can already get that sort of information through our warehouse computer."

The price of bar-coding equipment — $150,000 for a 10-lane check-out — will make it a big investment for big supermarket operators.

But when it comes, it will make a big impact

Hart said overseas evidence showed that productivity at the check-out counter went up between 12 and 15 per cent, with 20 per cent being the norm. A number of people had lost their jobs at the checkout, although this did not necessarily mean dismissal as they were sometimes diverted to other jobs.

Customer service benefits included itemised receipts, fewer charging errors and greater check-out speed.

The question of whether or not items should still carry price labels as well as bar coding was sometimes a problem, he said.

"With bar coding, prices are not necessary, but in a number of cases in the US, state laws make it mandatory." Prices have not decreased with the introduction of bar coding," he said.

The IDAPS report, which was suggested by Rob Campbell, is thought to be the first such joint co-operation in New Zealand to examine the implications of new technology in a sector in advance of its introduction.

Preliminary talks to decide the grocery and supermarket award conditions relating to new technology should start in the next two months. Ward-Holmes said that report "gives us a very good basis for discussion at the conciliation table."

No decision on Poly

by Stephen Bell

A complimentary but cautious Education Minister Merv Wellington says no decisions have yet been made on computers in schools.

The contemplated national saturation supply of classroom computers to schools would have to await the results of trials of the concept in two North Island schools, using the New Zealand-built Poly system, Wellington told a Computer Society meeting in the capital.

The trials have now finished, but findings, from a team at *Massey University,* were unlikely to emerge before the end of the month.

The decision affected many million dollars of taxpayers' money, said Wellington. The hardware was a minor factor, representing "a third or a quarter" of a total expense which would also involve software development and training.

If there were to be a blanket provision of a standard computer to schools, would it necessarily be Poly? Again "no decision of any sort has been made on how we will tender (for equipment)," said the Minister.

He admitted a "break point" had been reached, when it was probably appropriate to consider more formal provisions *for training teachers in computer techniques,* but the provision of extra staff to handle this function was not the ideal solution, as it would mean extra salary expense.

DATA PROCESSING

Computer industry

Micros, minis predominate at Systems 81

EMPHASIS at the Systems 81 exhibition this week is firmly on the smaller end of the market, with micro and minicomputer systems in plenty, and most of the "big names" of the industry conspicuously absent.

Considering the doubts expressed by some of the larger companies about the value of the Computer Society exhibition at Queenstown, they might have been expected to show up in force at an event which gave them ready access to the Auckland business community.

The fault seems to lie partly with communications breakdown; Burroughs, for one, claims that it never heard anything from the exhibition organisers.

Others among the computer industry leaders were clearly uncertain about exhibiting alongside the micro-merchants and makers of office furniture, feeling that perhaps the right audience for their products still might not be attracted.

"Biggest" exhibitors, in terms of market share and machine size will be Data General and NCR.

NCR will be using the exhibition as a local launching pad for its 9000 series, but will be staying at the lower end of its range with the I-9020 interactive small business system.

Data General's hardware will take a back seat. Its Nova 4S processor will be turned over entirely to independent software companies to demonstrate their applications programs.

This approach is very much in line with the way DG sells its equipment; a large part of its market is handled through such "OEM" companies, selling their programs packaged with DG hardware.

Another new exhibit certain to attract attention will be Hartley Computer's Australian-built 3900 system. This will be only the second showing of the machine in this country. The 3900 will be running Hartley's successful Hapas chartered accounting software.

Not to be outdone, the local industry will also be fielding a number of products in the micro arena.

The Electronic Company of New Zealand (Econz) will be showing locally-made small-scale microprocessor terminal equipment, but admits that for central processors, "it's cheaper to bring them in from overseas".

The home product, the 4800 terminal, is designed for "special interfacing" and is having some success in the dairy industry, for control of milk-testing equipment.

The terminals are already in use with two of the country's biggest livestock improvement agencies, said a spokesman. It can also be linked to other measuring equipment such as weighbridges.

The terminal does not carry a full screen, but a simple 24-character liquid crystal display, sufficient for displaying basic information.

To tackle the higher end of its market, Econz has imported a micro computer from an American company with the splendid name of Smoke Signal Broadcasting. The name, though, will not be apparent at Systems 81; Econz has "customised" the front panel and cover to advertise its own identity.

The locally assembled product we've been waiting for — David Reid Data Products' LSI-11-based minicomputer — might not make it to the show after all, but in any event there will be a formal release of the machine with plenty of information available on the stand.

Microprocessor Developments Ltd will also be splitting its resources between home-assembled and imported products. The Auckland company, a major figure in the promotion of local micro manufacturing, will be demonstrating the range of capability of its own MDL family of systems, with a single user processor and one shared among five workstations.

"Sharability" of the MDL computing resource goes as high as 16 users, managing director John Lovelock told *NBR*. "We have 17 microprocessors in a box about 400mm square."

One administrates the others, and the 16 users at visual display workstations each have their own dedicated computer.

More expensive peripheral resources such as disc storage and printer can be shared. The configuration incorporates its own "spooling" software, allowing information for printing to be stored temporarily on a disc file and released when the printer is free.

The idea of dedicated processors offers a more consistent service than traditional minicomputer techniques, under which several users share a single central processor and the end-cost is actually less, Lovelock claims.

A variety of software has been developed for the MDL system, ranging from standard commercial packages to structural engineering aids, which make use of the high-resolution graphics available on the machine's display screens.

But limits to economical home manufacture come with a move into colour, Lovelock admitted. Hence the other major feature of the MDL stand, and the one certain to attract most attention, is a Japanese colour graphics micro system.

The equipment, from Oki, uses the "RGB" colour graphics system, with three separate outputs from the microcomputer for the three primary colours — red, green and blue — on the display. This, it is claimed, gives a much sharper picture than conventional techniques.

Extension of MDL's own range into colour is not economic without a mass market. "We produced a colour machine for Otago University, but it was a one-off job."

The most evident local mass market for colour these days is in education, and MDL has been in the forefront of efforts aimed at broadening the Government's view on this front beyond the Poly system to the products of established local manufacturers.

But potential markets also exist in business — display of commercial information in chart form — and in advertising design.

The fledgling Challenge Computers Ltd — if it's fair to use the word of a creature with such a large wingspan — will be occupying one of the largest stands, but again the chief emphasis will be on micro equipment, with the A M Jacquard word processing range and the company's latest acquisition; what it describes ambitiously as the Sord "super microcomputers" from Japan.

Word processing equipment will also be on show from Raytheon and Wordcom and Rank Xerox will be drawing the prospective office automators with a large display including its 850 word processing system, the 860 "information processing system" with enhanced features and programming added, and the 9[illegible] "printing system" — a super copier with some elements of offset printing technology.

Other photocopier models and the 485 Telecopier system will also be on the stand.

Exhibitors also seem to have taken the "Auckland" [illegible] too literally, with scarcely any Wellington or Christchurch based companies represented.

Computerists

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Plastics

Benefits in CER for industry both sides of Tasman

QUITE apart from any inter-government agreements that might require it, closer relationships between the Australian and New Zealand plastics industries will be of considerable value to both.

And in the New Zealand Plastics Institute's view trans-Tasman trade in plastics products can be increased at the expense of third countries, Plastics Institute executive director Bruce Dunlop told delegates to the Plastics Institute of Australia's national conference in Sydney.

Dunlop told the conference that a closer economic relationship (CER) will follow on as a natural progression once a Government decision on the New Zealand industry study had been made.

He said the industry study and CER were very closely linked. The plastics industry is currently on the "deferred list" for CER, pending the outcome or completion of the industry study.

It was made clear to the industry right from the start that in terms of protection — import licensing and tariffs — the status quo was not an option for the Industries Development Commission in its survey of the plastics industry.

The industry, which had grown up under import licensing protection, would as a result of the study be faced with greater import competition.

"Naturally, that tended to make us somewhat nervous, particularly when we already knew what the so-called developing countries could do.

"It became clear that CER with Australia was the most sensible line along which the industry should progress, and the New Zealand institute argued that way," said Dunlop. "We still argue that way."

Dunlop said the New Zealand industry had accepted that under any CER agreement, import licensing access would be made available for Australian goods coming into New Zealand and duties would be phased out.

He said that, now the industry had adopted that attitude, talks with Australian industry were initiated to achieve an agreement which suited industries on both sides of the Tasman, rather than suffer a Government-inspired plan, which may have an adverse effect on the industries.

Dunlop stressed that a Government agreement would probably not be suitable, particularly in the light of current problems, notably intermediate goods.

As a result of industry-to-industry meetings, Dunlop claimed some common ground was found, and resulting recommendations have subsequently been put to the respective governments.

They were the removal of developing-country duty preferences in respect of chapter 39 of the tariff; and the retention of a 15 per cent margin of preference against third countries.

A further factor which could have a considerable effect on the tariff protection provided in both countries is the change in the customs valuation code, scheduled to take effect from July 1, 1982.

The change means that duties will be assessed on fob values instead of cdv values.

In selective surveys done by the New Zealand Institute, Dunlop said it was demonstrated that fob values can be up to 30 per cent lower than cdv for particular products and this quite obviously would have a severe effect on the protective element provided by tariffs.

He said that among the results of the industry study will be the liberalisation of imports of plastics products into New Zealand. Those goods will be able to be imported from any source, including Australia.

On that basis, if Australia chose to export to New Zealand, its goods would be in competition with third-country manufacturers on the New Zealand market as well as domestic products.

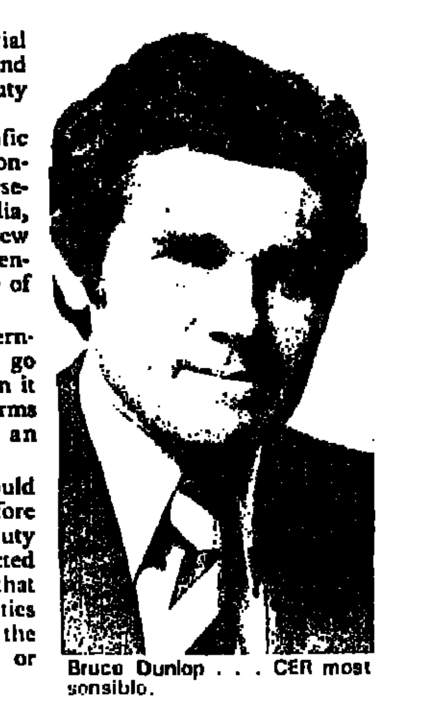
CER would mean additional import licence available for goods of Australian origin only and that immediately would give Australia a preferential position on the New Zealand market, taken with the duty phase-out.

The availability of specific licence for Australian goods only, combined with the phase-out of duties against Australia, would obviously make New Zealand users pay closer attention to Australia as a source of supply, Dunlop said.

"Despite delays at Government level, this CER will go ahead and in our estimation it is probably a year off in terms of the signing of an agreement," he considered.

He envisaged there would then be a further year before the commencement of duty phase-out and it was expected that after five years from that date, there would be no duties applicable on either side of the Tasman for New Zealand or Australian goods.

This survey of the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.



Bruce Dunlop . . . CER most sensible.

European industry hopes for recovery

DESPITE the difficulties of 1980, when West European production of bulk polymers averaged only 92 per cent of that achieved in 1979, the Association of Plastics Manufacturers in Europe (APME) is confident that growth in the plastics industry will resume along with general economic growth, although the timing of the recovery is uncertain.

Writing in APME's 1980 annual report, president Tom Hutchison says that growth rates for plastics, as they approach maturity, will decline towards that of the general economy.

Individual plastics are at different stages of their life cycles, says Hutchison, but their future is based firmly on their cost-effectiveness in applications covering every type of industrial and human activity.

Plastics still have potential to substitute for other materials in some areas.

On the declining growth prospects for plastics, Hutchison maintains that provided individual companies plan for this, and for a declining balance of exports over imports as the developing countries build and commission plastics-manufacturing plant to supply their own markets, then there is no reason why the industry should not achieve stable prosperity.

He warns, however, that if companies fail to plan for the inevitable and ignore the *lessons of the 1980 recession,* they will continue to suffer the substantial losses which have characterised the industry in recent years.

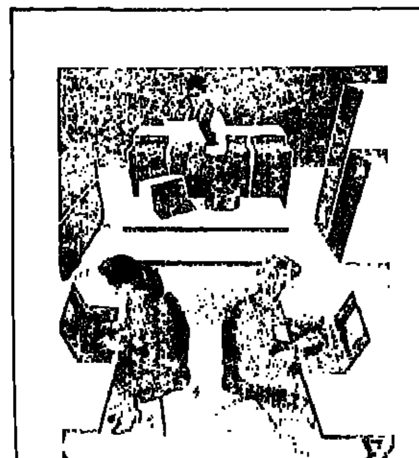
Hutchison describes 1980 as a bad year for the West European plastics producers. Following the major rise in oil costs and consequent build up of stocks by customers in 1979, destocking in 1980 added to the problems caused by the general business recession.

The drop in selling prices, leading to losses reported by all manufacturers, showed that the industry has yet to acknowledge the futility of chasing lower volume with falling prices even when overcapacity persists, he claims.

Hutchison says that the industry's problems were exacerbated by increased competition, in both European and overseas markets, from exports from the United States based on low-cost feedstocks.

APME had co-operated with the European Council of Chemical Manufacturers' Federation in seeking a "political solution to this political problem," Hutchison said.

"Don't say we've revised our earnings downward, Say we've revised our pessimism upward."



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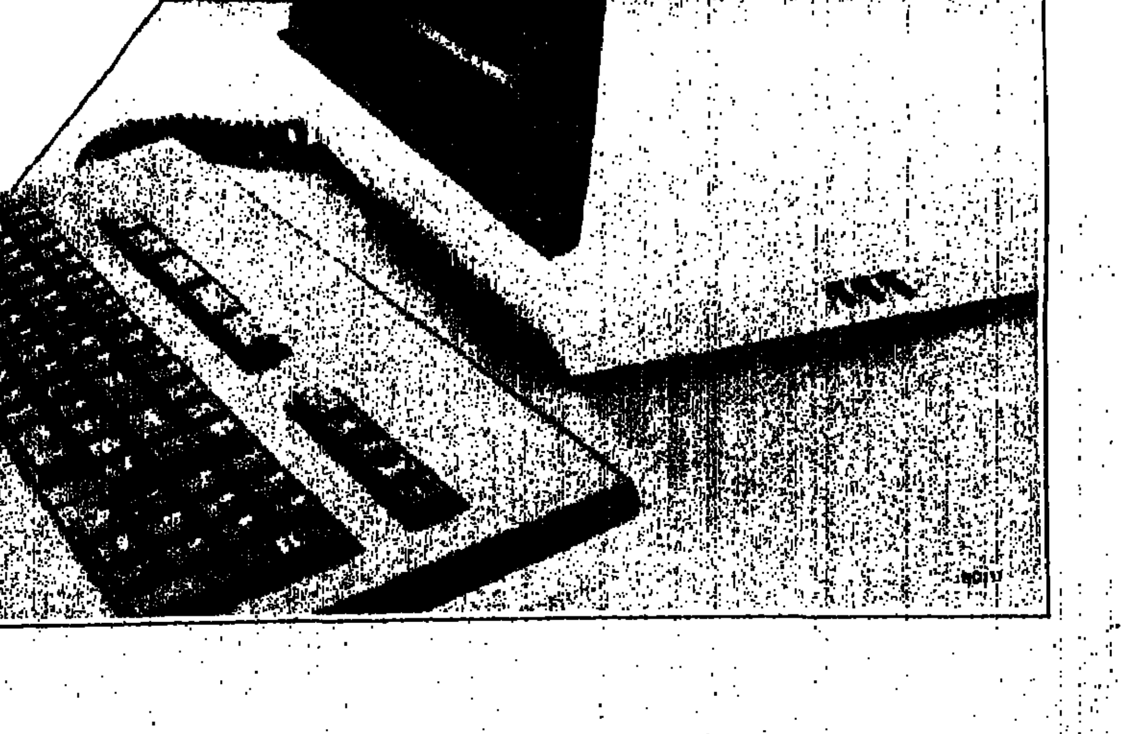

Delta strengthens its 'French connection'

PALMERSTON North-based Delta Plastics Ltd has further consolidated its position in the European market by assigning European manufacturing, marketing and distribution rights to a French company.

Majority shareholding in the company known as Allflex Europe is held by Delta, with the balance of shares owned by Rockall France, Delta's original French connection.

Rockall France in which Delta hold a 20 per cent equity has had the right to manufacture and market Allflex tags in France in return for a royalty.

In some respects, this arrangement had been unsatisfactory from Delta's point of view, company chairman Bill McPhail told shareholders at the company's annual meeting.

However, Rockall had been very profitable and there had been strong growth in Delta's equity interest in the company, he claimed.

Negotiations took place both in New Zealand and in France earlier this year in relation to the understanding which has always existed between the companies, that sooner, rather than later, Rockall would take up the manufacture and marketing of Allflex tags in Europe as a whole, McPhail said.

Part of the reasoning for this attitude, he said, arose from the possible adoption of the official French government tagging system — which is based on the Allflex tag system and produced by Rockall — by other European countries.

In addition, tags exported from New Zealand carry a 17.5 per cent duty into EEC countries and, from most standpoints, it made sense to arrive at a satisfactory agreement for the tags to be produced in France, he said.

"As a result of the negotiations very satisfactory royalties should accrue to Delta on the transfer of our European production to Rockall France towards the end of this calendar year. This represents approximately 7 per cent of our total production."

In the Allflex Europe distributing company Rockall will supply the major day-to-day sales administration but Delta will maintain the overall control of the company.

With an approved royalty and a sharing of anticipated profits from the marketing operations McPhail calculates that Delta's current profitability relative to the area will be maintained, with the prospect of increased sales penetration throughout the whole of Europe through the European-based sales organisation.

He also made comment on the United States International Trade Commission hearings earlier in the year and said that the ITC's investigation had highlighted some interesting factors.

Sales of the American one-piece tag in that country had not been particularly eroded as a result of the introduction of Delta's new two-piece tagging system in 1975.

He maintained Delta's sales to the United States were essentially creating a new market, which has expanded rapidly.

The American manufacturers, in picking up the Allflex idea, had acquired approximately 50 per cent of the market with Allflex holding the other 50 per cent, he said.

Another fact to emerge from the report is that Delta is apparently the largest tag manufacturer in the world. American establishments were employing 147 people in 1977 and this number had grown to 242 in 1979.

"We were rather surprised to find that the total number of people employed in the industry in America is less than the number of people employed at Delta Plastics in Palmerston North."

The report also indicated the profitability of the American manufacturers as a group was not as poor as the claimants had suggested in their preliminary evidence.

"For our part we were able to show that our earnings, apart from the so-called 'subsidies', were commercially satisfactory and that our incentives had not been utilised to subsidise or depress selling prices and cause injury to domestic manufacturers," McPhail told shareholders.

Sales by the company in the early part of the year had increased substantially and there has been no let up to date. For the past six months the factory has been working on a six-day-a-week, 24-hour-a-day basis.

Delta sales for the three months ended June 30, 1981 have totalled $3.4 million, compared with $2.1 million for the same quarter last year, a 60 per cent increase.

Continuing high levels of sales were expected and the company is working hard to widen the range of tags as well as investigating possibilities of further product diversification.

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Burroughs

New plant will help boost export drive

THE horticulture and fish exporting industries will be the prime beneficiaries of UEB Industries Ltd's new Insulfoam expanded polystyrene factory at Wiri, Auckland.

The new 4000 sq metre complex is said to be the best equipped in Australasia and employs German moulding machinery, the most advanced of its kind available.

According to the company, the plant will give considerably more manufacturing flexibility for its range of shape moulded products, and will allow the company to capitalise on an ability to produce sheet formed polystyrene product, demanded by the building industry as an insulating material.

New Zealand standards covering the use of expanded polystyrene as an insulating material are expected to be introduced in September.

However, the company maintains that the high-technology approach it is taking to polystyrene packaging will have an immediate impact on the fish exporting industry.

UEB already holds a major slice of New Zealand's fish packaging business, and this, the company maintains, can now be realistically built upon.

Insulfoam operations in Auckland have until now been split between four factory sites, but under one roof and with a fully integrated production system, the company claims it can manufacture a much wider range of products and service an expanded market.

Polyethylene plant in US expanded

ALLIED Chemicals Corporation, a leading producer of high-density polyethylene, has commissioned a new 210 million pounds a year expansion to its facility in Baton Rouge, Louisiana.

The facility consists of a loop reactor — the largest on record in the world — and extends Allied's total deliverable annual capacity to 670 million pounds of Paxon Hope.

Paxon Hope is used in packages and containers formerly made of steel, paper, glass and wood.

With this new investment in production, Allied maintains it has consolidated its position as a leader in the high density polyethylene business.

Using advanced Allied technology, the new reactor will produce a wide range of products, including injection, blow moulding and extrusion grades as well as Allied's new high molecular weight film grade resin.

All this is achieved by utilising the new expanded facilities, including a 14-storey-high, 24-inch-diameter, 8-legged reactor.

Also included in the expansion are two densification lines as well as utility, storage and packaging facilities.

Paxon Hope is one major product manufactured by Allied Chemical Corporation. Allied also produces and distributes internationally agricultural chemicals, energy products and services, organic and inorganic chemicals and fibres for a wide variety of applications.

Wellington: Boom amid bustle and blustery Beehive buzz

ELECTION WATCH '81

This eight-page feature compiled by Colin James and Richard Fletcher and written by James. Graphics, maps: David Cowe. Photographs: Gwenda Pearson.

A foreigner dropping into Wellington would think New Zealand is in the middle of a boom.

Construction industry deputations, on their way up to complain about their plight to a stony-faced Government, pass visible evidence to the contrary.

The wreckers have torn the inner city apart. Buildings here one day are (in some cases literally) gone the next.

In their place are rising flat, faceless and graceless monuments to mediocrity. Cloned from some architect's computer, they form canyon walls that channel Wellington's wind-borne rain into the grey faces of head office prisoners.

Cranes line the cityscape like herons fishing the rich waters of the desire of bureaucrats, public and private, for more of themselves and more carpeted comfort to spread themselves in.

This is insider country.

Bustle replaces purpose. Self-importance replaces importance. Money is not the object, but illusory power, and such power must be grandly housed in concrete, steel and glass.

Little candy-floss nuggets of that power are passed from lip to lip on the pock-marked obstacle courses that pass for footpaths under the cranes, or in coffee houses and bars: here the lawyers drink, here the public servants, here the journalists and here the politicians.

They feed on each other, magnifying intricate manoeuvres into grand strategies, sucking the last shred of marrow from every last dry bone, while outside, in real New Zealand, voters form their decisions on the basis of hazy impressions of the broad sweep of political, social and economic activity.

Wellington is thus the worst place from which to watch an election.

The place is littered with the broken reputations of election pundits who felt the pulse of the queen's attendants in the Beehive instead of following the bees into the fields.

That beautiful, impractical circular building dominates the town. Seldom can a building have become so quickly and so firmly fixed as a city's symbol.

There it sits on Parliament Hill squatly radiating smug provinciality.

There is no grandeur in it. It does not soar; its baton-like fenestral protuberances seal it off rather than open it up to the world.

Like the real-life beehive, it sucks sustenance in from outside, and its inhabitants go about their business hidden deep in its inner recesses.

Wellington, symbolised and obsessed with this building and its imagery and its chimera, is rightly so symbolised.

It sucks in the ambitious and those who must seek favours from the ambitious. Who else would willingly endure the worst weather in the country? It is chilling to think of the effect that wind-blown gloom has on the quality of decision-making.

What Wellington gives out, it does so, like the real-life beehive, only when it is broken into. Lobby groups breach the walls with blandishments and their reputed pull on public opinion. Ordinary electors get their chance every three years.

Then the politicians must make sure their focus is not that distorted Wellington view. Too long in the Beehive or its forerunner can warp the vision, as Peter Fraser found in 1949 and Sir John Marshall in 1972.

Even outside in the city there is a certain insulation from the storms that buffet the rest of the country. Job-protected public servants go on through boom and gloom.

But, though Wellington is not the place to watch an election from, this year it will be the city to watch on election night.

Both main parties have their most marginal seat in greater Wellington.

Knife-edge Kapiti, hugging the beaches and hills lining the main route north, is held by Energy Undersecretary Barry Brill by 23 votes for National.

That is the lowest margin a sitting National MP has gone into an election with.

Western Hutt, stretching along the hills flanking the Hutt Valley and reaching over the long-settled southern reaches of the valley, is held by Labour broadcasting spokesman John Terris by 168 votes.

The slightest breeze of change one way or the other rustling through the political foliage should blow one or other seat into the opposition net.

If Western Hutt goes National on election night, you can put aside thoughts of a majority Labour Government (though it is arithmetically still possible for there to be a minority Labour Government if Social Credit cuts a swathe through National up north).

The fine balance of the parties going into the election is reflected in the candidates.

Continued Page 40

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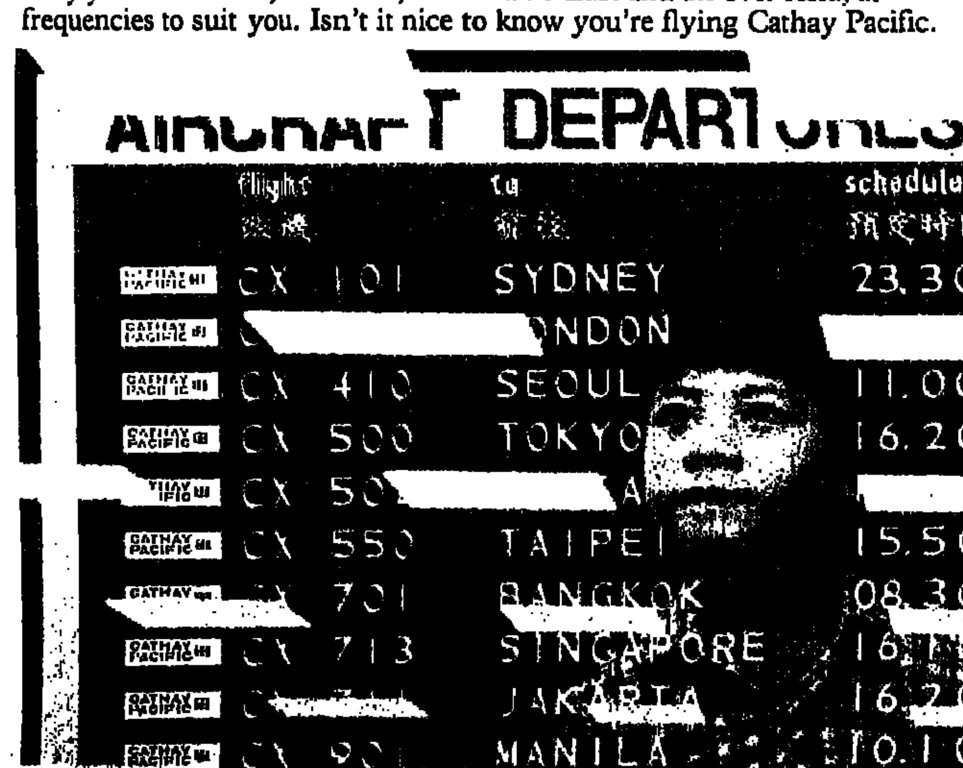

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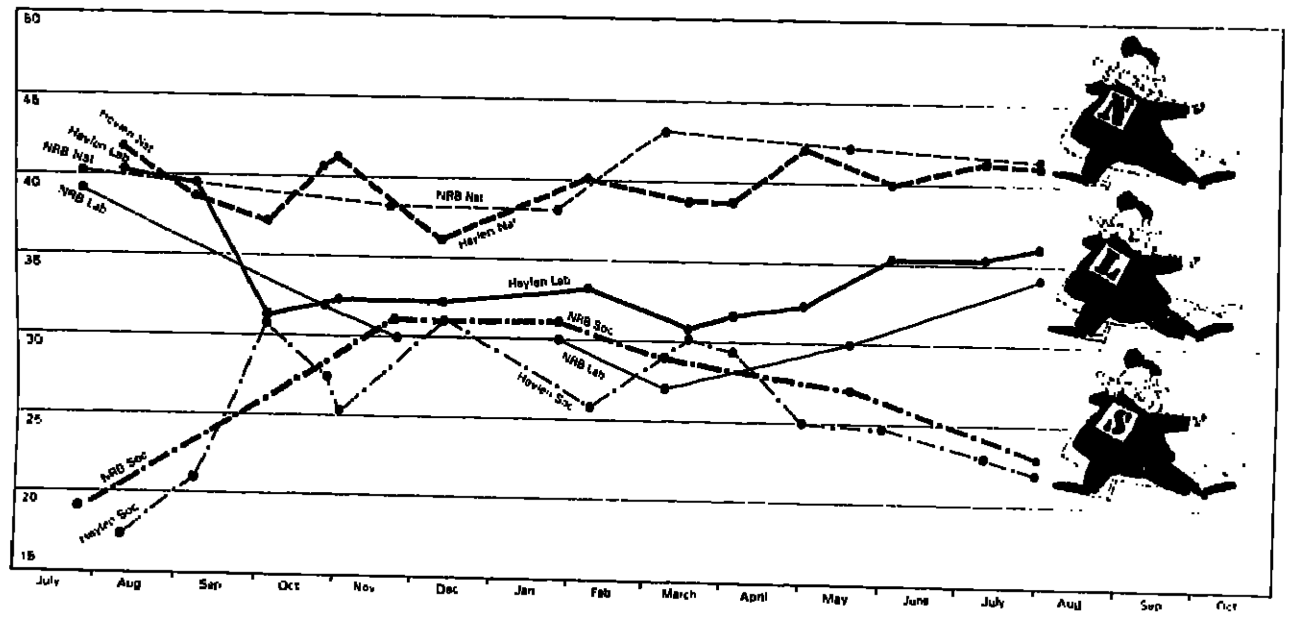
Labour closes the poll gap amid tour confusion . . .



THAT tour and all the trouble surrounding it does not seem to have helped the Government — at least up to August 1.

A Television New Zealand-Heylen Poll taken that day shows Labour not only holding its own compared with National, but slightly closing the gap.

And a *New Zealand Herald*-NRB Poll taken over the preceding week generally confirms that. As in the Heylen Poll, the NRB sounding shows the gap narrowing between late autumn and winter.

And now the Heylen Poll has shown Labour within 6 points of National for three months running.

Both polls now show the two main parties clear of Social Credit.

If the Heylen Poll of August 1 was an election result and the swing had been uniform across the country, National would still be the Government.

Applying the Tomes three-way pendulum to the figures, National would have picked up Western Hutt, Hastings and Taupo from Labour and be within striking distance of taking Lyttelton, Onehunga and Yaldhurst.

But it would have lost Kaipara, Bay of Islands and, possibly, Hauraki to Social Credit.

That would leave National as comfortably in charge as at present.

But overconfident Nationalists need to consider three factors.

One is that over the past four elections, Labour has improved on its winter polls position in the actual election. In other words, the polls may underestimate the actual level of Labour crunch voting support.

In this context, the gap between National and Labour, as measured by Heylen, has so far this winter been between 4.5 and 6 per cent (4.9 per cent on August 1), which is about three percentage points less than the gap through the winter of 1978 — and Labour finished up with more votes in that election.

NRB tells a similar story.

However, hopeful Labourites might well remember that in 1978 it was almost universally assumed National would win, giving Nationalists more freedom to show disaffection if they chose to (and they did), and the campaign went particularly well for Labour and badly for National.

That year was also a bad one for industrial strife, which encouraged National's critics within its own supporters ranks to call the Government "socialist" and soft on the unions. Several "alternative" National candidates appeared to give vent to this frustration.

No "alternatives" have appeared this year, indicating National supporters feel better — or less unhappy — about their party. If they also fear a Labour victory, they may be much more chary than in 1978 of refusing their vote for their party.

The second caution for Nationalists is that there may be an element of tactical voting hidden in the global figures.

This theory has been held for some time by Labour. Recently Socred's leader, Bruce Beetham, resorted to it when he conceded there may have been a drop in Socred support where there was no chance of winning, but that canvassing results showed gaining strength where Socred had a show.

Looked at from Labour's angle, this would uphold the theory that its support is holding well in the National-Labour marginals.

In such circumstances, on figures like the Heylen August 1 poll, Labour could pick up enough seats to have more than National (with Socred eating into National in the Waikato).

The third caution is that if the law and order issue is working to National's advantage, as most politicos instinctively believe is likely, then the gap, minus the tour, may be smaller than 4.5 to 6 per cent.

On August 1, the tour rated second (behind unemployment but ahead of the economy) as the country's most urgent problem.

That "if" above, however, is a big one. No one is sure how the law and order issue is affecting party support.

Immediately after protesters unlawfully forced the cancellation of the Hamilton match on July 25, pro-tour MPs were swamped with "right-on" letters and phone calls. Anti-tour MPs, particularly Labour, either got the raspberry or stony silence.

But by the weekend of August 1-2, while at the National Party conference the Prime Minister was making much of law and order, the current was beginning to run the other way.

So not only does Ben Couch pick up National Party memberships among the Maori working class, but Wallbanks picks up Labour memberships in Gisborne from lifelong National voters — in both cases specifically because of the tour.

This two-way shift is not surprising. The Heylen Poll of August 1 showed 30 per cent of Labour supporters in favour of the tour continuing, though their party is not, while 26 per cent of National supporters were in favour of the tour being stopped, though their party refuses to take action.

Past Heylen Polls have asked respondents whether, even if they opposed the tour (as a majority said they did), they supported the Government's refusal to interfere.

The August 1 question, asking whether the tour should continue or "a decision made to stop it", introduced for the first time an element of authority. Though of course the rugby union could decide to stop it, it is likely many respondents assumed the question referred to the Government, or the police, stopping it.

It is not surprising, therefore, that the majority against the tour on July 11 (54 per cent to 34 per cent) turned into a majority against stopping it on August 1 (50 per cent to 41 per cent).

And the real majority for the tour is almost certainly higher still. The violence and disruption was by far the most important reason given for wanting the tour stopped, which suggests that those who gave that reason alone would not be in favour of stopping the tour if there was no disruption.

It is noteworthy that the "softer" question used by the NRB Poll gave a 49-42 per cent majority against the Springbok team ever having come.

The two polls showed also the dichotomy between big and small towns — the former being generally less sympathetic and the latter more to the tour.

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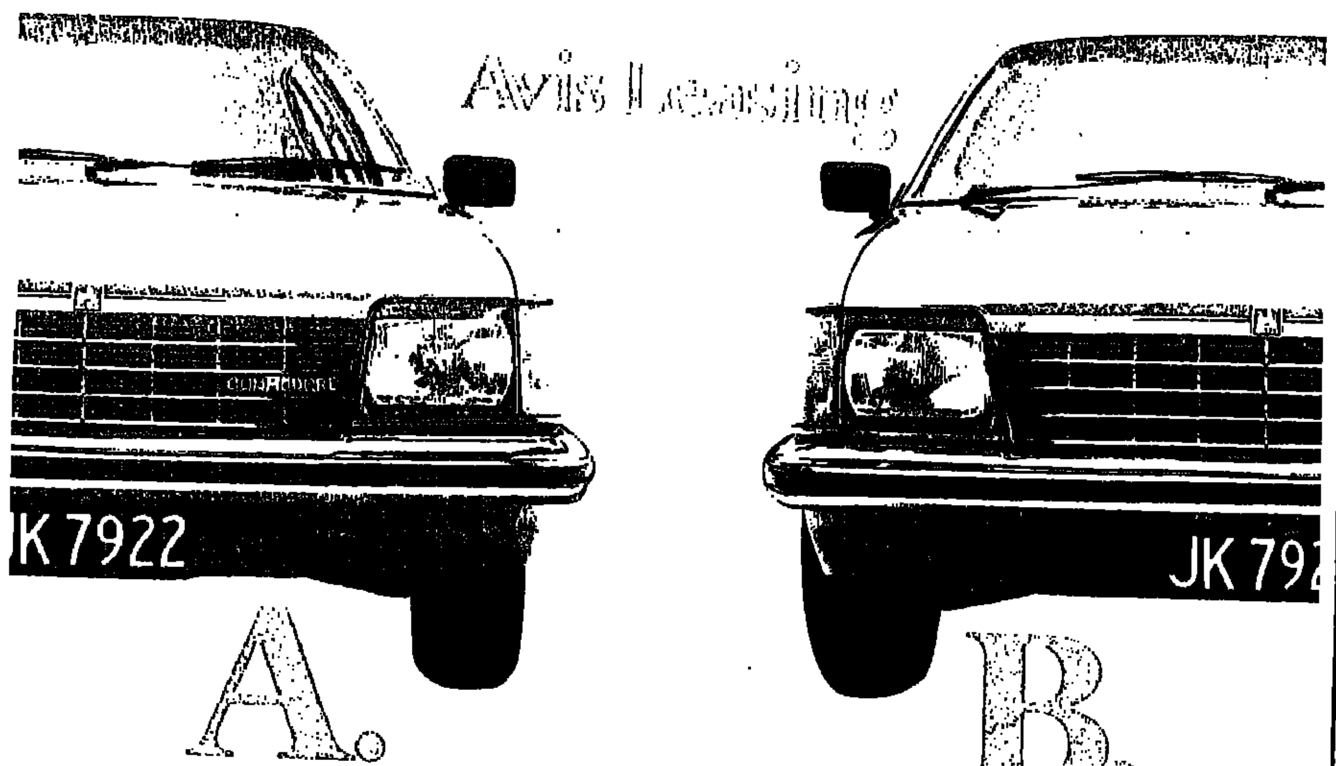

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. . . and 'Bok controversy sunders NZ, as Kapiti shows

THE Springbok tour has divided New Zealand much more sharply than any other issue for some time.

That is one of the principal lessons of the latest poll findings. Both show substantial groups either for or against the tour and very few people without an opinion.

Since the Springboks arrived the percentage of "don't knows" recorded by the *Auckland Star*-Heylen Poll on the issue has more than halved.

By comparison, the number going for the "safe" answer ("the same") in the Television New Zealand-Heylen Poll to the question whether the economy will be better, worse or the same in 12 months has not fallen below 36 per cent this year.

Something similar was found by *National Business Review* researchers among members of a voters panel set up in the Kapiti electorate in July.

The panel of 50 was chosen from 100 randomly selected interviewees to match as nearly as possible the national population in age, sex, race, education, occupation and past voting behaviour.

Members of the panel are asked periodically what they think about current issues.

So far they have been asked about the Budget and twice about the tour. And they have been more definite in their opinions on the tour than the Budget.

The do-nothing quality of the Budget was not missed. A number termed it a "non-event". Many of the panellists felt it was indifferent for them personally or the country or both.

They divided naturally into those who thought it was responsible to do as little as was done and those who thought something should have been done — about tax or unemployment, in particular.

Some, but not many, noticed the tax relief for first home mortgages, which was the Budget's main feature and clearly aimed to head off the adverse effects of high house prices and high interest.

The taxes on cigarettes and alcohol were not missed by those who indulge in either and several noticed, with annoyance, the departure tax, a relatively minor point.

One complained at the "sneaky capital gains tax increase."

Few had much to say about the general economic policy of the Budget. One objected to the "think big" policy of the Government.

Opinions were much sharper on the tour. Very few of the panellists were not either for the tour or against it.

But being against the tour could mean different things. Not many thought the Government should have stopped the team coming or called off the tour after the Hamilton shambles.

One person who before Hamilton felt strongly the Government should have made a definite request to the rugby union to call the tour off, felt after Hamilton that it should go ahead, not because she had changed her mind and now supported the tour, but because the Government had made a decision, was democratically elected and should be supported.

Some people who were strongly against the tour, nevertheless felt the Government should stay out of the issue.

Only a handful of those against the tour mentioned apartheid or the conditions of the blacks as a reason. As with the Heylen Poll respondents,

the main reasons for opposing the tour were, first, the disruption and, second, the international repercussions, particularly on sports players.

One woman said: "We should clean up our own backyard before we ask the Springboks here," but added: "Us Maoris don't get treated like the blacks do. I saw Soweto on TV."

A number changed their view after the Hamilton affair. Sometimes this was only a hardening of a previous opposition to or support for the tour.

Three moved from feeling the tour should be stopped to either a position "on the fence" or uncertainty as to how to feel. One of them said she was "in two minds" after Hamilton because she did not like giving in to force (referring to the protesters), and a second said the "protesters are buggering it up."

The violence affected many attitudes either substantially or slightly. A number changed their main concern about the tour to one of law and order after Hamilton.

Three moved from opposition to the tour to belief it should go ahead on those grounds and one from fence-sitting to support of the tour.

As one said: "We shouldn't give the few the satisfaction of gaining their point of view . . . the law is the law right or wrong."

Two moved from support of the tour (one of them even though specifying apartheid was wrong) to feeling it should be stopped.

One who thought it had become a law and order issue remained opposed, even though anti-Hart and pro-Muldoon.

Some had a sense of powerlessness summed up by one opponent of the tour whose comment after Hamilton was that "now they are here I don't think they really can be stopped."

Two of the panellists volunteered the information that their family was divided on the issue.

Only one of the panel specified that he would vote on the issue: "If the Government called it off on those grounds" (the protesters' actions), "it wouldn't get my vote this time round and that's very definite." That is a refrain many National MPs have heard.

The last word should go to a prophetic remark by one panellist before the Hamilton affair: "The first fist raised will probably be by a rugby player but he will have been provoked by a protester."

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Capital's quirks

From page 37

Two slightly-built professional 42-year-old men face each other: former minister of religion Terris against accountant John Tanner. Two well-geared organisations back them.

There is some contrast in styles: Terris has a terrier-like quality about him, Tanner a more affable mien.

But the contrast is greater in Kapiti. There Brill faces the same opponent he had in 1978 — public servant statistician Margaret Shields.

Brill is the brighter and has gone for national prominence (as a capable undersecretary) in an attempt to transcend problems on the ground.

Shields, now four years into her campaign for the seat and one of the more experienced, flexible and realistic of Labour women, has aimed for a strong local profile. Her organisation may have the edge over National's.

If Kapiti stays National, there will be no Labour Government.

Conversely, if it goes Labour, it will not prove anything.

Kapiti was in the Labour bag on election night in 1978 without undoing National's majority status. It only went National's way after a magisterial recount in which "ticks and crosses" votes were excluded.

But one does not need to look outside Wellington for a key clue as to a possible Labour Government on election night.

Marginal Miramar is right on the boundary between governments. An even swing across the country of a size just big enough to tip Miramar to Labour would mean Labour would break even with half the seats. A significant Labour majority there would indicate a Labour Government.

And there the two personalities fighting the battle could hardly be more different.

Young economist-researcher Peter Neilson, one of the liberal "centre-left" who dominate the modern Labour Party, is tilting at unspectacular Minister of Works Bill Young, now past retirement age.

Young has survived tight races before in his 15-year tenure of a seat that has been in, or close to, marginal class throughout.

But this time, even though his seat is sixth in line to fall to Labour, it would take a swing smaller than 1 per cent to cause it to change hands — and swings in the past three elections have all topped 4 per cent.

Miramar is on the boundary. Swings are uneven. Miramar could go Labour without necessarily changing the Government. Labour supporters will want a more positive indicator.

Wellington can supply that, too.

Five seats further up the ladder of possible wins for Labour is Wellington Central. A 2.5 per cent swing would put that in the bag and would be a cast-iron guarantee of a Labour Government.

Wellington Central National incumbent MP, Internal Affairs Undersecretary Ken Comber, is, like Young, a solid local grafter, unlikely to achieve high Cabinet rank.

Each is well-known among constituents and potential voters.

Each is faced with a young challenger, backed by vigorous organisation, but with a formidable task to match his opponent's local presence.

But there are marked differences in the nature of the electorates — Miramar a middling sort of suburban seat with a pocket of affluence in Roseneath and Oriental Bay, Wellington Central with a strong element of liberal (Labour-voting?) middle class public servants, academics and lawyers.

National has long-term designs on Heretaunga, a seat gradually moving its way as it contracts on to growing, affluent Upper Hutt.

But it would be very surprising this time if former Wellington city councillor Bill Jeffries, a 36-year-old lawyer with good contacts among moderate unionists, did not come into Parliament.

Jeffries, brother of High Court judge John Jeffries, another former Wellington city councillor, stood in Miramar in 1978.

Eastern Hutt and Pencarrow are safe for conservative Trevor Young and Fraser Colman, neither of them high-fliers. Porirua, too, looks safe, despite deep divisions within the Labour electorate organisation which led to an attempt to challenge stiff anti-abortion MP Gerry Wall's candidacy and a declaration by the Titahi Bay branch that it would work for Shields in neighbouring Kapiti.

Frank O'Flynn, having escaped from marginal Kapiti after his defeat by Brill in 1975, should also be safe in Island Bay. His 650 majority is deceptively small, masking a strong personal vote for Gerald O'Brien who stood as an independent after the nomination was given to O'Flynn.

Labour allows itself sometimes wistfully to eye Ohariu, the Karori-based seat held by the National Party's intellectual liberal wing, Hugh Templeton.

A swing to Labour of 1975 dimensions would net Ohariu, but in their more realistic moments not even Labourites hope for that.

And for good measure, there is Horowhenua just north of the border.

Middle-of-the-road sitting National MP Geoff Thompson, a tenacious laywer turned farmer, will hold it, says Nationalists. But Horowhenua requires slightly less of a swing than Wellington Central to fall to Labour. If Thompson goes, so does National.

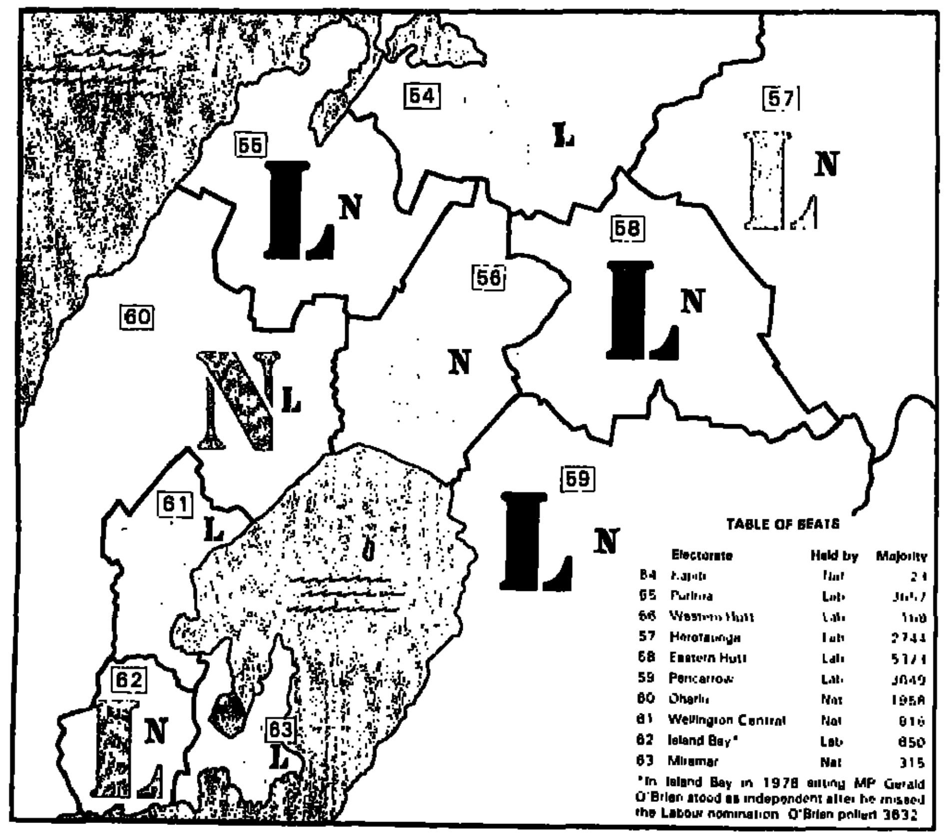


TABLE OF SEATS

	Electorate	Held by	Majority
54	Kapiti	Nat	24
55	Porirua	Lab	3067
56	Western Hutt	Lab	168
57	Heretaunga	Lab	2744
58	Eastern Hutt	Lab	5174
59	Pencarrow	Lab	3049
60	Ohariu	Nat	1958
61	Wellington Central	Nat	916
62	Island Bay*	Lab	650
63	Miramar	Nat	315

*In Island Bay in 1978 sitting MP Gerald O'Brien stood as independent after he missed the Labour nomination. O'Brien polled 3632

No chance for Socred but some potential for 'spoiling' in marginals

WELLINGTON has never been strong Social Credit territory and 1981 will be no exception.

Social Credit will not win any seats in the capital; its role will extend no further than perhaps getting in the way of one of the main parties winning where it expects to.

In 1978, the Social Credit tide, which swept into the outer suburbs of Auckland, left Wellington dry.

Its share of the vote in Wellington was about two-thirds the national average of 16.1 per cent: ranging from 8.2 per cent in Island Bay to 12.7 per cent in Eastern Hutt.

Throughout this supplement, therefore, the contest has been presented as between National and Labour as the only two parties with any chance of winning.

Social Credit does hope for a windfall from the 2043 votes (12.1 per cent) recorded in Porirua by Values' Helen Smith — by far Values' highest vote in 1978.

But even if all Values votes were added to Social Credit's 1978 vote — unlikely, since Smith's appeal was at least partly as a liberal in contrast with Labour's conservative Gerry Wall and Social Credit's more conservative than liberal in appeal — it would still have trailed National which was in turn 4000 votes behind Wall.

But Social Credit could have an effect on which main party wins marginal seats.

If Social Credit won 22 per cent of the vote nationally, to match its current poll showing, that would on past experience add another 3 to 4 per cent to Social Credit scores in greater Wellington.

If in Kapiti where in 1978 Social Credit's share was 12.3 per cent, the gain came more from Labour than National in the 3:2 or 2:1 ratio shown in the polls of the past two years, the increase could mean an effective 1 to 1.5 per cent to National, requiring Labour to obtain another 0.5 to 0.8 per cent swing to win the seat.

If Social Credit scored 26 per cent nationally, as it aims to, the National benefit would be correspondingly higher.

Likewise, if that happened in Western Hutt, it could help National win the seat off Labour.

But it could work the other way. There appears, for example, to be an East Coast Bays-type pocket of Social Credit in the wealthy harbour-view inner suburb of Roseneath in the Miramar electorate (where Social Credit polled 9.9 per cent in 1978).

If so, it could help Labour there.

It is also noteworthy that in the August 1 Heylen Poll Social Credit was taking equally from National and Labour.

The results could be more unpredictable if Social Credit scored the 30 per cent or so it was recording in the polls early in the year.

At that time Social Credit leader Bruce Beetham was predicting dire effects for Labour and observers in both main parties on the ground were assessing Labour's chances in seats like Kapiti grimly.

But the graph on Page 38 shows a steady decline since March from 30 per cent to 22 per cent on August 1 — paralleling a similar long decline over the same period in 1978 from around 20 per cent to around 12 per cent.

Both the main parties have for some months been claiming evidence that the "Social Credit bubble has burst". In the past month those claims have become more confident and more insistent.

Nowhere has the turnround in attitude been more apparent than in Rangitikei, where Beetham sits.

A year ago, National was beginning to collect together the bits of its shattered pride. Now well-heeled and well-wheeled, the National campaign appears to be beginning to bite.

A couple of weeks back Social Credit president Stefan Lipa complained of money being poured in to help National candidate Paul Bardwell. National retorts that it is all local money and says Beetham is starting to overreact in public around the electorate, to his electoral detriment.

Normally cool National tacticians are beginning to allow themselves to predict a win, even if elsewhere the Social Credit vote goes up.

Beetham's reaction to the slide in the polls has been to argue that the support is still building where it counts — in the seats where Social Credit has a show of winning.

The converse of this is an implicit acknowledgement that Social Credit's capacity for disruption in seats like Kapiti has fallen and it is back to a straight two-party race. Certainly, that is the way the two main parties see it, though Social Credit disputes that and points to pockets of support, particularly in Paraparaumu.

There is some supporting evidence for the main party view in the Television New Zealand-Heylen Poll of August 1. The Social Credit vote is shown well below average in Wellington and Christchurch but far above average in the smaller centres.

So Social Crediters going into their conference this week in Auckland have cause to believe things are still going well where it counts — in that belt north of a line drawn from Feilding to Whakatane.

And they have also the comfort of a mystifying phenomenon: the spring rebound.

For three years on end, the Social Credit poll support has fallen back during autumn and winter only to climb on to a higher plateau in the succeeding spring and summer.

In 1978 Social Credit scored 4 per cent better in the election than it had recorded in the Heylen Poll three months earlier.

Will it do the same this year? Will it make its 26 per cent after all and pick up those four to eight seats it set itself to win back in 1979?

Who can tell? If there is some inexplicable inexorable law of spring blossoming for Social Credit, it may.

But things have been going a bit astray recently for Social Credit.

A festering sore refuses to heal in the far north, as a knot of true believers in the pure Douglas monetary theory on which Social Credit is based set themselves to challenge official candidate Les Hunter, architect of the modern revisionist theories, in the November election.

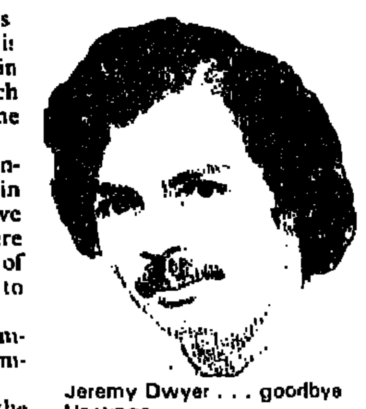
The independent they put up may not get many votes, but may well discourage others to vote for a split party. Similar dissent centred round deposed Whangarei candidate Joyce Ryan may have a similar effect there.

And in Hastings any chance Social Credit had of winning has been seriously damaged with the departure of Jeremy Dwyer from all public life.

The party and Dwyer must have been embarrassed a couple of months back when *Truth* juxtaposed Dwyer's public statements on morality and the family with an account of his own broken marriage.

Isolated setbacks do not spell disaster. But if political parties ever get the smell of decline about them, rot can spread fast and fatally.

Beetham's task this weekend will be to restore Social Credit to its March image of unstoppable advance. With attention diverted to the Springbok tour, it will not be easy.



Jeremy Dwyer . . . goodbye Hastings.

Eric Elliott . . . veteran Socred campaigner in Ohariu.

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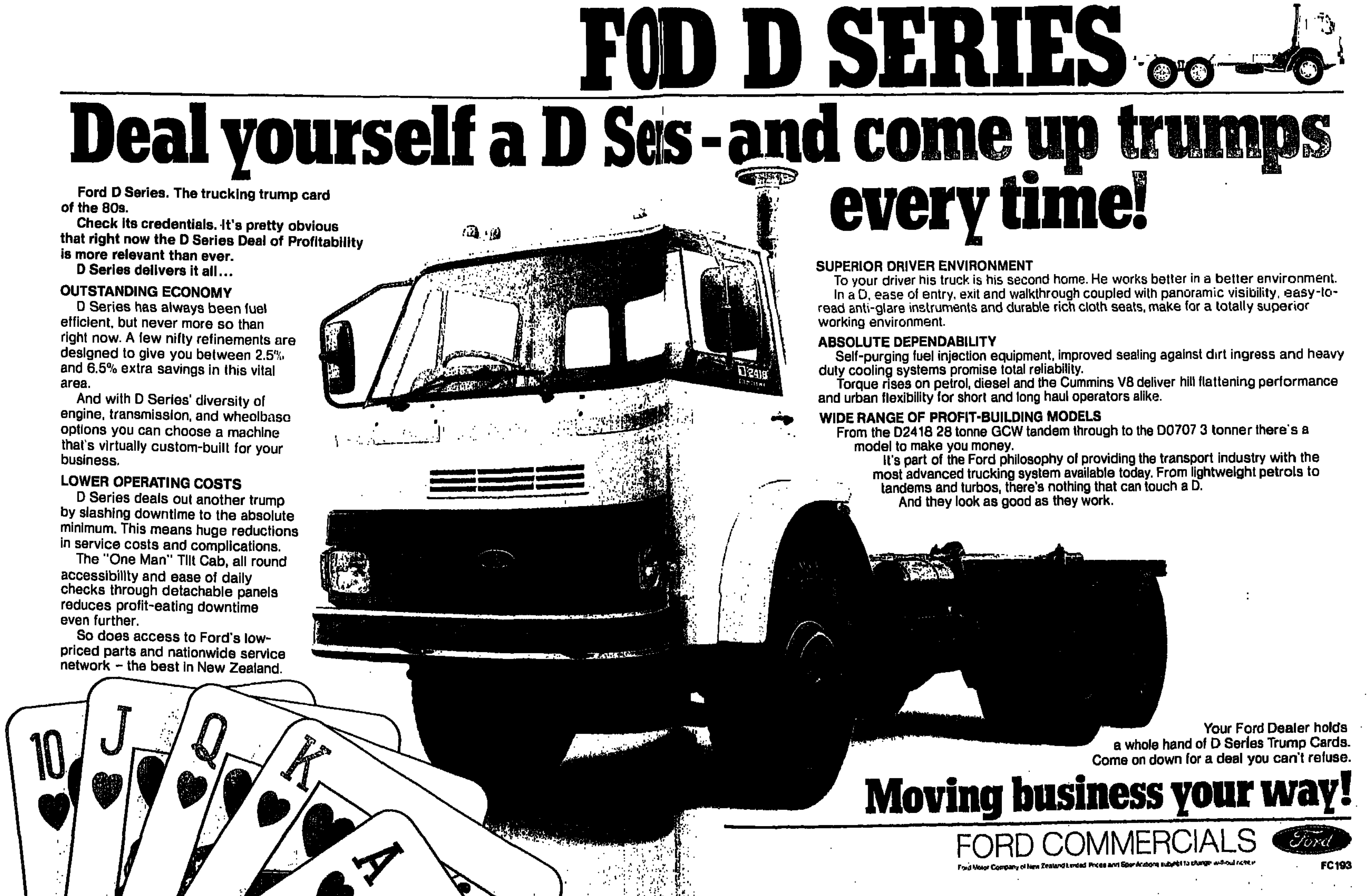

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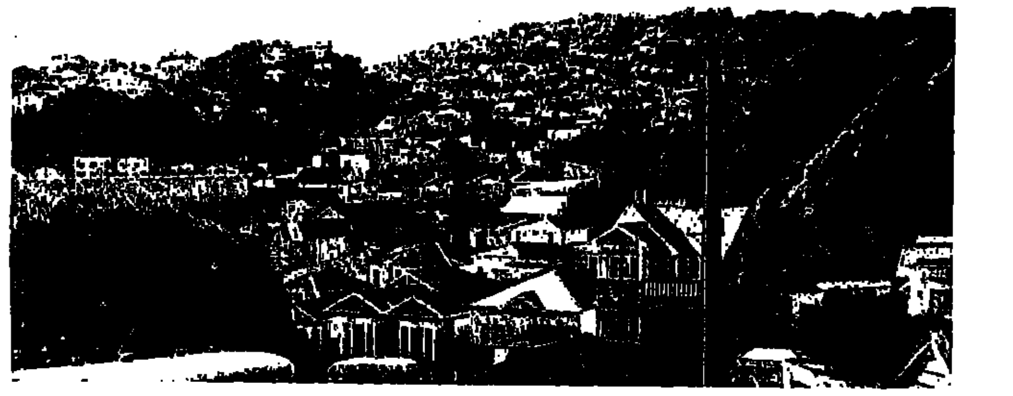


Miramar: If Young holds on, so will National

PETER Neilson gave the National Party a foretaste of its opposition in marginal Miramar 18 months ago. Coming from nowhere, he demolished what had seemed to be a proprietary hold on the Labour nomination there by general secretary John Wybrow.

Wybrow had stood for Labour in Miramar in 1975. In 1980 he prepared for the 1981 nomination by the old rules: tapping the established inner networks at national and local level.

Neilson, meanwhile, had been out pounding pavements. He drank innumerable cups of tea with loyal members who hadn't seen anyone but subscription collectors in a long while.

Individually, they were of no account. Collectively, they gave Neilson a majority of the straw vote at the selection meeting and the local members of the selection panel.

Wybrow looked that night as if he did not know what had hit him.

Will that happen to National's Minister of Works, Bill Young, in November?

Young is one of the most pleasant and approachable of all National MPs — not at all the sort of man who would pull wings off butterflies.

He won the seat off Labour's Bill Fox in 1966 and has survived swings against National ever since. There has not been an election in his career in which Miramar has not been marginal and 1981 is no exception.

Partly he has been able to resist swings when the statistics say he should not have because of his minute attention to local affairs.

He does the round of the bowling clubs and women's organisations. Even as a Cabinet Minister he has been putting in a fair bit of doorknocking. He is very well known: surveys by both parties put voter awareness of him at 80 to 90 per cent.

His high local profile is not matched by a high profile nationally. Consigned to the largely self-administering works portfolio, he is in the mould of older-style politicians who get by rather than get up and go.

If he were coming into the House now he would probably expect at most a senior committee chairmanship.

Last year at the National Party conference Young, 67, was one of the "geriatrics" young hotbloods wanted out. There was some speculation he might stand down in favour of his daughter, former Wellington city councillor Rosemary Rouse-Young. In the end he stayed on, unchallenged.

But he has been effectively served notice that 1981-84 will be his last term.

Young's 15-year tenure of the seat and a belief in some quarters that he is not part of the back-to-basics free-enterprise movement in the party have, according to some observers in the party, not encouraged young blood into his organisation.

This is disputed by electorate and campaign chairman Fred Muys, who agrees there are committee people who have been around a fair while, but insists they are not the majority and the average age of his organisation is in the late thirties.

Muys himself, a livewire computer executive, is in his twenties and is seen as having a bright future in the party.

If Neilson has a problem in his organisation, it is the opposite of Young's. It is that he is young, 27, and come-lately.

His successful dark-horse putsch for the candidacy disturbed the equilibrium of the local establishment and there are still some scars visible.

Neilson comes from Auckland, from the liberal-left breeding ground of the Princes Street (Auckland University) branch which has produced, among others, left-wing candidates Helen Clark (Mt Albert), Phil Goff (Roskill) and Glenda Fryer (Tauranga).

Neilson is more to the liberal end of the liberal-left spectrum — a Labour Department economist-researcher who is rising fast.

His campaign is vigorous and skilfully media-oriented. He can put together a good speech. And he has a cross-sectional campaign organisation, reaching into Labour's traditional working class support as well as the rising middle class that dominates the party these days.

Can he win?

National says its canvassing results are promising and there are more out working than in 1978.

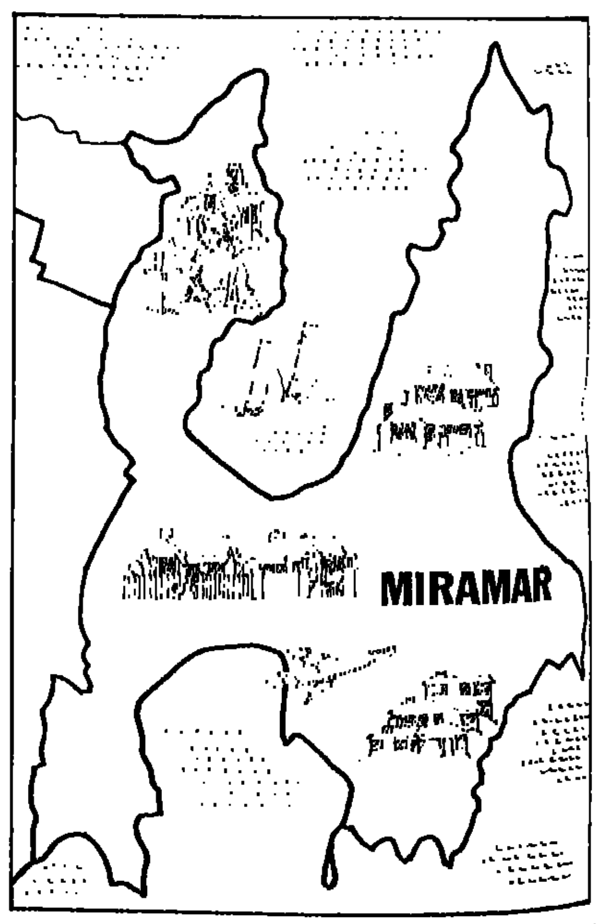
In its favour is an apparent long-term change in the nature of the electorate as it becomes more settled towards a National-leaning sort of voter.

But in 1975 the swing to National was below average and in 1978 the swing to Labour about average. And this time there is a disturbing Social Credit presence in National-voting Roseneath, the inner Wellington hill suburb with the glorious harbour views.

Elsewhere the electorate undulates in voting patterns from wealthy Seatoun, guarding the harbour entrance to the east, through lower-middle and middle class Miramar proper filling the valley to the north-east of the airport, to more of the same across to the west of the airport on the flat and a costlier sort of house on the ridges that separate the eastern suburbs from the city. There is also a pocket of state houses.

It is a middling sort of electorate, with no extremes.

That evenness is reflected in a knife-edge majority of 315. If Young hangs on this time, it will be a remarkable tribute to the man, or the party. And it would make a Labour Government unlikely.



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Wellington Central: Wilde card in Comber country

"YOU'RE in Comber country," booms the National slogan. But "Wellington's getting Wilde," catcalls Labour back.

Is it? Maybe.

Ken Comber, 42, onetime provincial rugby player who as parliamentary undersecretary for sport and recreation gave that unfortunate official farewell to the All Blacks going to South Africa in 1976, is MP.

Fran Wilde, 32, researcher and sometime journalist, is Labour challenger.

Comber is conservative, as befits the son-in-law of Sir Keith Holyoake, and an accountant. Since the electorate is affluent, that would normally be expected to see him right.

But Comber has been too conservative. Affluent Centralites are also liberal on moral issues — like abortion and playing rugby with Springboks. Comber has been on the wrong side of both, though now he is against the tour.

Wilde, on the other hand, is liberal, feminist and mildly trendy. There is a big young team out working for her. If she were also National, she would be tailor-made.

Comber won Wellington Central in 1972 after outgunning lawyers Julian Watts and Barry Brill and current Wellington mayor Sir Michael Fowler for the nomination and surviving David Shand's Labour challenge on special votes.

Since then boundary changes and a developing reconversion of flats to owner-occupied houses (particularly in inner city Mt Victoria) have helped shore up his majority.

The swing against him in 1978 was below average and he has 816 votes in hand from that election.

He can also perhaps count on some help from the partial insulation of Wellington's public servants from the economic recession.

Within the electorate Comber is pleasant, attentive and hard-working.

On the National scene, he has seen three Cabinet reshuffles come and go (1977, 1978 and 1981) without advancing from his undersecretaryship. It is unlikely he can hope for more than a minor Cabinet role, if any at all.

This relative failure prompts "intellectual" inner Wellington to coin derogatory graffiti.

But Comber is one of those rare fair-minded politicians who doesn't seem to let criticism rile him. He is unfailingly polite and friendly.

And he is conscientious and a trier. Over the years he has built up a certain politician's skill at knowing enough about issues to get by.

Three years ago his conservative abortion views turned some party officials off him and too little enthusiasm for the new wave of free enterprise that has swept the party in the past three years has also led to some impatience.

National in Wellington Central is smart, relatively young, bright and fast. Comber is none of those things and has suffered accordingly. But he has won a growing respect for an adaptable earnestness and for his work on the ground.

Wilde, too, has had her internal party problems.

She is one of the fast-track Jim Anderton (party president) band. She shares some of his impatience and directness that have upset people who have got in the way of the new broom.

Wilde was electorate chairperson. When she was selected as candidate, two branches virtually withdrew active support.

Things have improved since, however, and in any case the rest of the electorate organisation seems to have been behind her from the start.

In an electorate which is almost devoid of traditional working class voters, she should appeal to liberal university and public servant types as being more or less one of their mould.

She should also start closer to Comber in real terms than the 816 vote majority suggests. The candidate in 1978, Neville Pickering (an import from Christchurch where he had been an MP and mayor and defeated in both positions), was too old (though only 54), too conservative and too uninspiring to attract a strong campaign team in liberal, young inner Wellington.

There is also the question of the 1217 Values votes in 1978, third highest in the country, which were probably swelled by abortion liberals who could vote Wilde this time.

But even if Wilde wins, it will be a difficult seat for any Labour MP to hold.

Kelburn, Wadestown and Khandallah are affluent suburbs.

The older inner city suburbs near the university in Thorndon and across town on Mt Victoria to the east are reconverting from flats — housing young, Labour-leaning students and others — to expensive owner-occupied houses, thus making the area more favourable to National.

And in any case students seem to be becoming more conservative.

Roundabout to balance the swing?

IN the old days of small election swings, the Government could live in hope of picking up a seat or two, each time round, even if it was losing seats to the Opposition.

In 1966, for example, Bill Young picked up Miramar for National off Bill Fox, who had been prominent in deposing Arnold Nordmeyer from the leadership of the Labour Party. This was despite a 0.5 per cent swing to Labour nationwide.

In 1969 livewire accountant and local body politician Bill Tolhurst won Wanganui for National off veteran Labour unionist George Spooner, despite a nationwide swing to Labour of 0.7 per cent.

This election the National Government has its sights set on Western Hutt.

It needs only a 0.6 per cent swing to take the seat.

Thus, if Social Credit did more damage to Labour in the election than to National and there were an overall slight swing to National from Labour in two-party terms, Western Hutt would be a realisable target.

Similarly, on the Miramar and Wanganui models, if there were only a slight swing nationally to Labour from National, National could still hope for special factors to swing Western Hutt its way against the trend.

National sees several possible special factors and claims it will win the seat even if there is a 1 per cent national swing to Labour.

Its organisation is much better than in 1978, it says, with membership on target and a twentyfold increase in Young Nationals, making it the strongest North Island Young Nationals branch south of Taupo.

It has been picking up members in previously solid Labour working-class Petone, giving some hope of a better performance there.

Rising house prices on the Western Hutt hills may have slightly altered the demographic balance there in National's favour, particularly in Normandale above Lower Hutt, a subdivision known locally in real estate circles as "poor man's hill".

John Terris and John Tanner . . . battling it out.

And candidate John Tanner, a pillar of service club establishment, is thought to be better able to hold the affluent business vote in the leafy Lower Hutt suburbs round the prime ministerial residence at Woburn.

Tanner is a more appealing candidate than 1975-78 MP Bill Lambert, who did not fit easily into the party establishment.

But Tanner, too, has his drawbacks as a candidate in a close battle.

He has a pleasant and earnest manner and would be an attentive local MP.

But, says a party observer, "he is an accountant" — implying that accountants lack imagination and flair.

Labour MP John Terris came from the Anglican ministry to politics and still tends to wear his Christianity on his sleeve. A couple of years back he startled party activists by arguing for "Christian" to be included in the party's objects at the Wellington region conference.

Terris is a vigorous, energetic man. Around Parliament Buildings he can be seen darting like a lizard in search of flies, shoulders slightly hunched. He has a loud voice that pours out of his office into the adjoining corridor.

But he is not overbearing. Campaign workers in 1978 found him rather shy and unwilling to take a high profile.

In Parliament he has likewise not pushed himself forward as much as others, though he has established himself as broadcasting spokesman.

He gives the impression of a man who gets things done. As both a national and local body politician — he is the only Labour survivor of last year's Lower Hutt City Council elections — he needs to. He says he is a workaholic.

He works his electorate, too, putting in a fair quota of doorknocking on the hill where the party is less sure of its support than on the settled and stable flat.

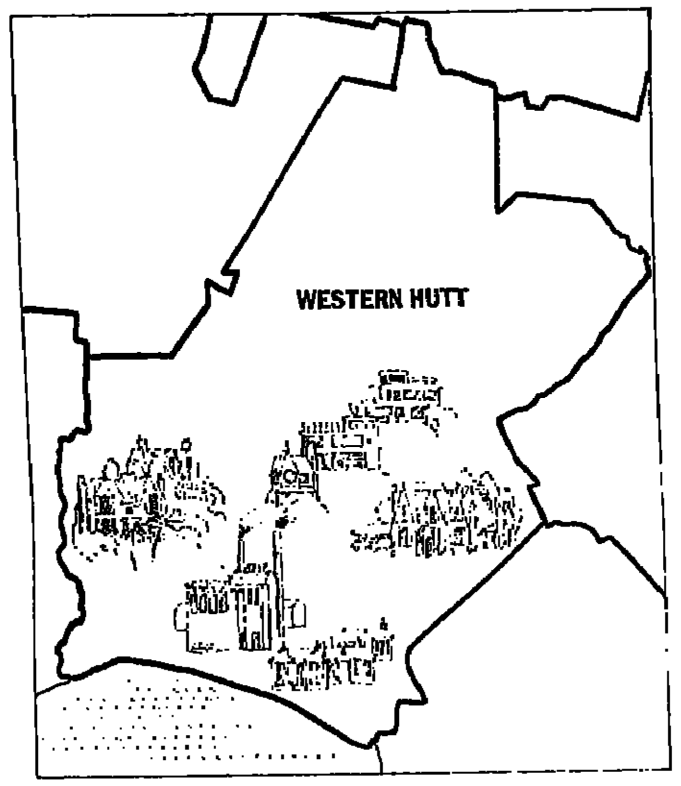
But even that settled flat maybe will cause a problem or two this year. In Petone last year there were heated internal arguments within the party over running a local body ticket and Labour politicians suffered in Lower Hutt elections.

Neither side is taking chances.

Both are using radio advertisements to entice people to meetings. Tanner is using 2ZB, the middle-of-the-road commercial station, and Terris 2ZM, the rock station.

Is there some deep symbolism there?

No. It is, says Terris, just a matter of money that he is using much cheaper 2ZM. There is, after all, a difference between the parties.



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